

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re: : Chapter 11  
: :  
ANGELICA CORPORATION, *et al.*, : Case No. 17-10870 (JLG)  
: :  
Debtors.<sup>1</sup> : Jointly Administered  
: :  
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**REVISED DISCLOSURE STATEMENT FOR FIRST AMENDED JOINT  
CHAPTER 11 PLAN OF ANGELICA CORPORATION AND ITS AFFILIATED DEBTORS**

**THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF ANY CHAPTER 11 PLAN DESCRIBED HEREIN. ACCEPTANCES AND REJECTIONS OF A CHAPTER 11 PLAN MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BY THE BANKRUPTCY COURT, BUT SUCH APPROVAL HAS NOT BEEN GRANTED TO DATE. THE DEBTORS RESERVE THE RIGHT TO AMEND, SUPPLEMENT, OR OTHERWISE MODIFY THIS PROPOSED DISCLOSURE STATEMENT PRIOR AND UP TO THE DISCLOSURE STATEMENT HEARING.**

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Dated: June 21, 2017  
New York, New York

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Clothesline Holdings, Inc. (1081); Angelica Corporation (5260); Angelica Textile Services, Inc.-NY (6508); Royal Institutional Services, Inc. (8906); and Angelica Textile Services, Inc.-CA (5010). The location of the Debtors' corporate headquarters is 1105 Lakewood Parkway, Suite 210, Alpharetta, Georgia 30009.

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DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT (THIS “**DISCLOSURE STATEMENT**”) IS INCLUDED FOR THE PURPOSES OF SOLICITING ACCEPTANCES OF THE *FIRST AMENDED JOINT CHAPTER 11 PLAN OF ANGELICA CORPORATION AND ITS AFFILIATED DEBTORS*, DATED JUNE 21, 2017 (AS MAY BE AMENDED, MODIFIED, OR SUPPLEMENTED FROM TIME TO TIME, THE “**PLAN**”), AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.<sup>2</sup> A COPY OF THE PLAN IS ATTACHED HERETO AS **EXHIBIT A**. NO SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN MAY BE MADE EXCEPT PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE.

**ALL HOLDERS OF CLAIMS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. IN PARTICULAR, ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER THE RISK FACTORS SET FORTH IN SECTION VI – “CERTAIN RISK FACTORS AFFECTING THE DEBTORS” OF THIS DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. THE PLAN SUMMARY AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN ITSELF AND THE EXHIBITS ATTACHED TO BOTH THE PLAN AND THIS DISCLOSURE STATEMENT. IN THE EVENT OF ANY CONFLICT BETWEEN ANY DESCRIPTION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE TERMS OF THE PLAN, THE TERMS OF THE PLAN GOVERN.**

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(b) AND NOT NECESSARILY IN ACCORDANCE WITH NON-BANKRUPTCY LAW.

CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING WITH RESPECT TO PROJECTED CREDITOR RECOVERIES AND OTHER FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBE HEREIN.

AS TO CONTESTED MATTERS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT WILL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT ALSO WILL NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS IN THE CHAPTER 11 CASES. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY

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<sup>2</sup> Unless otherwise expressly set forth herein, capitalized terms used but not defined herein have the meanings ascribed to such terms in the Plan.

TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN ON SUCH HOLDER'S CLAIM OR INTEREST.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF.

## I.

### INTRODUCTION

The Debtors submit this Disclosure Statement in connection with the solicitation of votes on the Debtors' Plan attached hereto as **Exhibit A**, which reflects the terms of a negotiated settlement with the Creditors' Committee regarding, among other things, distributions to holders of General Unsecured Claims, the creation and control of the Creditor Recovery Trust, and the wind down of the Debtors' remaining assets and costs after the Sale Closing through consummation of the Plan. On April 3, 2017 (the "**Commencement Date**"), Angelica Corporation and its affiliates (collectively, "**Angelica**" or the "**Debtors**") commenced with the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**") voluntary cases pursuant to chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**"). The Debtors' chapter 11 cases (the "**Chapter 11 Cases**") are being administered under the caption *Angelica Corporation*, Case No. 17-10870 (JLG). To the extent of any inconsistencies exist between this Disclosure Statement and the Plan, the Plan will govern.

The purpose of this Disclosure Statement is to provide holders of Claims entitled to vote to accept or reject the Plan with adequate information about (i) the Debtors' business and certain historical events, (ii) the Chapter 11 Cases, (iii) the Plan, (iv) the rights of holders of Claims and Interests under the Plan, and (v) other information necessary to enable each holder of a Claim entitled to vote on the Plan to make an informed judgment as to whether to vote to accept or reject the Plan. Holders of Interests are not entitled to vote on the Plan (*see* discussion at Section V below).

Pursuant to section 1125 of the Bankruptcy Code, the Debtors submit this Disclosure Statement to all holders of Claims against the Debtors entitled to vote on the Plan to provide information in connection with the solicitation of votes to accept or reject the Plan. This Disclosure Statement is also available to all holders of Claims against and Interests in the Debtors for informational purposes, including the impact the Plan will have on such holders' Claims and Interests. This Disclosure Statement is organized as follows:

- Section I provides an introduction and general information about the Plan and Confirmation of the Plan.
- Section II provides an overview of the Debtors' business.
- Section III sets forth key events leading to the Chapter 11 Cases.
- Section IV discusses the Chapter 11 Cases.
- Section V contains a summary of the Plan.
- Section VI describes certain risk factors affecting the Debtors.



- Section VII discusses certain U.S. federal income tax consequences of the Plan.
- Section VIII addresses confirmation of the Plan.
- Section IX concludes this Disclosure Statement and recommends that eligible creditors vote to accept the Plan.

**A. VOTING PROCEDURES**

As set forth in more detail in Section V.B of this Disclosure Statement, certain holders of Claims are entitled to vote to accept or reject the Plan. For each holder of a Claim entitled to vote, the Debtors have enclosed, along with a copy of this Disclosure Statement, among other things, a ballot and voting instructions regarding how to properly complete the ballot and submit a vote on the Plan. Holders of more than one Claim will receive an individual ballot for each Claim. The individual ballots must be used to vote each individual Claim. For detailed voting instructions, please refer to the specific voting instructions and the ballot enclosed with this Disclosure Statement.

All completed ballots must be actually received by the Debtors' balloting agent Prime Clerk LLC ("**Prime Clerk**") at the below address no later than \_\_ \_\_.m. (Eastern Time) on [●], 2017 (the "**Voting Deadline**").

Via Regular Mail, Overnight Couriers, or Hand Delivery:

Angelica Corporation  
Ballot Processing Center  
c/o Prime Clerk LLC  
830 3rd Avenue, 9th Floor  
New York, New York 10022

If you are holder of a Claim that is 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 this Disclosure Statement, the Plan, or the procedures for voting on the Plan, please contact Prime Clerk at (844) 276-3030 (domestic toll-free) or (917) 962-8891 (international) or email ([angelicaballots@primeclerk.com](mailto:angelicaballots@primeclerk.com)).

The Debtors will also be accepting ballots via electronic, online transmission through an E-Ballot platform available on Prime Clerk's website at <https://cases.primeclerk.com/Angelica>. Holders of Claims and Interests may cast an E-Ballot and electronically sign and submit such ballot via the platform. Instructions for casting an electronic ballot are available on Prime Clerk's website.

<p>THE VOTING AGENT WILL NOT COUNT ANY BALLOTS RECEIVED AFTER THE VOTING DEADLINE.</p>
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**B. DISCLOSURE STATEMENT EXHIBITS**

The following exhibits are attached to this Disclosure Statement:

- EXHIBIT A – Plan
- EXHIBIT B – Debtors' Prepetition Organizational Structure
- EXHIBIT C – Liquidation Analysis

**C. DEBTORS' PROFESSIONALS**

The Debtors have retained the following professionals pursuant to separate orders of the Bankruptcy Court: (i) Weil, Gotshal & Manges LLP ("**Weil**"), as their restructuring counsel; (ii) Houlihan Lokey Capital, Inc. ("**Houlihan Lokey**"), as their investment bankers; (iii) Alvarez & Marsal North America, LLC ("**A&M**"), as their financial advisors; and (iv) Prime Clerk, as claims, noticing, and balloting agent and administrative advisor. The Debtors plan to retain Grant Thornton LLP ("**Grant Thornton**") as their auditor and tax advisor. The contact information for these professionals is set forth below:

<b>Weil, Gotshal &amp; Manges LLP</b> 767 Fifth Avenue New York, NY 10153 Attn: Matthew S. Barr, Esq. Jill Frizzley, Esq. Kevin Bostel, Esq. Tel: (212) 310-8000	<b>Houlihan Lokey Capital, Inc.</b> 245 Park Avenue, 20th Floor New York, NY 10019 Attn: Bradley Jordan Brian McDonald Tel: (212) 497-4100
<b>Alvarez &amp; Marsal North America, LLC</b> 540 West Madison Street, Suite 1800 Chicago, IL 60661 Attn: Steven R. Kotarba Tel: (312) 601-4220	<b>Prime Clerk LLC</b> 830 Third Avenue, 9th Floor New York, NY 10022 Attn: Shai Waisman Michael Frishberg Tel: (212) 257-5450
<b>Grant Thornton LLP</b> 757 Third Avenue, 9th Floor New York, NY 10017 Attn: Denise Boyd Vikram Das Tel: (404) 330-2000	

**D. BRIEF OVERVIEW OF PLAN<sup>3</sup>**

As described below, substantially all of the Debtors' assets will be sold pursuant to the terms of the Purchase Agreement, which reflects the bid determined by the Debtors, in accordance with the Bidding Procedures, to be the highest or best offer for their assets (the "**Sale Transaction**"), subject to the Bankruptcy Court's approval of the Debtors' entry into and performance under such agreement. Upon the consummation of the Sale Transaction (the "**Sale Closing**") – which will occur prior to the Confirmation Hearing – the proceeds (the "**Sale Proceeds**") are to be used, in the first instance, to satisfy DIP Claims, ABL Claims, and the Term Loan B-2 Claim, in accordance with the Purchase Agreement, and then to fund the ongoing wind-down costs of the Chapter 11 Cases and, ultimately, the distributions under the Plan.

The purpose of the Plan is to provide a mechanism to implement the liquidation of the Debtors' remaining assets, reconciling and fixing any outstanding Claims that have been asserted against the Debtors, and distributing the net liquidation proceeds, including the remaining Sale Proceeds, in

<sup>3</sup> This summary is qualified in its entirety by reference to the Plan. Statements as to the rationale underlying the treatment of Claims and Equity Interests under the Plan are not intended to, and will not, waive, compromise or limit any rights, claims, defenses, or causes of action in the event that any objections to classification or treatment are filed or the Plan is not confirmed. You should read the Plan in its entirety before voting to accept or reject it.

conformity with the distribution scheme provided by the Bankruptcy Code and prior orders of the Bankruptcy Court. Under the Stalking Horse Bid, as modified to reflect the terms of the Settlement Agreement (as defined below), the Term Loan B-1 Lender agreed to fund certain liabilities in connection with the wind down of remaining assets and costs associated with the Chapter 11 Cases and the Plan.

The Plan provides for the payment in full in cash of all Claims, to the extent not already satisfied upon the Sale Closing, other than the Term Loan B-1 Claim and the General Unsecured Claims. To the extent any amount of the Allowed Term Loan B-1 Claim is outstanding on the Effective Date, the holder of the Allowed Term Loan B-1 Claim will release any Term Loan B-1 Collateral remaining in the Debtors' Estates after the consummation of the Sale Transaction to the Debtors' Estates, and will waive all Liens that the holder of the Allowed Term Loan B-1 Claim possesses on the Term Loan B-1 Collateral. Pursuant to the Settlement Agreement and the Plan, KKR retains the right to vote its Term Loan B-1 Deficiency Claim in Class 6 General Unsecured Claims in favor of the Plan, and pursuant to the Settlement Agreement, is deemed to have voted such Claim in favor of the Plan in Class 6 General Unsecured Claims. Although KKR remains entitled to vote in favor of the Plan, pursuant to the Settlement Agreement, KKR agreed to waive and release its right to a distribution under the Plan on account of its Term Loan B-1 Deficiency Claim. This means that, under the Plan, any recoveries realized from Causes of Action will be allocated *pro rata* among all Allowed General Unsecured Claims, excluding KKR's Term Loan B-1 Deficiency Claim. The holders of Allowed General Unsecured Claims will receive their Pro Rata share of (i) the General Unsecured Claims Recovery Amount, (ii) the proceeds from any asset sales, settlements of Causes of Action, or investments of Cash executed by the Plan Administrator after the Effective Date, and (iii) Creditor Recovery Trust Interests if the Creditor Recovery Trust is established, such trust being a vehicle that the Plan Administrator may use to liquidate any remaining assets of the Debtors' Estates.

Under the Plan, the Creditors' Committee will appoint a Plan Administrator that will act as the sole officer for each of the Debtors to, among other things, resolve Disputed Claims, investigate and pursue any Causes of Action not otherwise released under the Plan, make distributions to holders of Allowed Claims, and close the Chapter 11 Cases. The Plan constitutes a single chapter 11 plan for all of the Debtors and the classifications and treatment of Claims and Interests therein apply to all of the Debtors.

In addition, as described below, the Plan represents and reflects the terms of a negotiated settlement with the Creditors' Committee regarding, among other things, distributions to holders of General Unsecured Claims, the creation and control of the Creditor Recovery Trust, and the wind down of the Debtors' remaining assets and costs after the Sale Closing through consummation of the Plan.

Section V of this Disclosure Statement provides a more detailed description of the Plan.

#### **E. SUMMARY OF DISTRIBUTIONS AND VOTING ELIGIBILITY**

The following summary table briefly outlines the classification and treatment of Claims against and Interests in the Debtors under the Plan and the voting eligibility of the holders of such Claims and Interests. As set forth in the Plan, the classification of Claims and Interests will apply separately to each of the Debtors. The following summary table is qualified in its entirety by reference to the full text of the Plan.

Class	Designation	Treatment	Approximate Percentage Recovery <sup>4</sup>	Entitled to Vote
1	Other Priority Claims	Unimpaired	<p>100%</p> <p>Except to the extent that a holder of an Allowed Other Priority Claim against any of the Debtors has agreed to less favorable treatment of such Claim, each such holder will receive, in full and final satisfaction of such Claim, Cash in an amount equal to such Claim, payable on the later of the Effective Date and the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, or as soon as reasonably practical thereafter; <i>provided, however</i>, that Other Priority Claims that arise in the ordinary course of the Debtors' business and which are not due and payable on or before the Effective Date will be paid in the ordinary course of business in accordance with the terms thereof.</p>	No (presumed to accept)
2	Other Secured Claims	Unimpaired	<p>100%</p> <p>Except to the extent that a holder of an Allowed Other Secured Claim against any of the Debtors has agreed to less favorable treatment of such Claim, each holder of an Allowed Other Secured Claim will receive, at the option of the Debtors or the Plan Administrator, (i) payment in full in Cash in full and final satisfaction of such Claim, payable on the later of the Effective Date and the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon as reasonably practical thereafter, (ii) delivery of the collateral securing such Allowed Other Secured Claim and payment of any interest required under section 506(b) of the Bankruptcy Code, or (iii) such other treatment necessary to satisfy section 1129 of the Bankruptcy Code; <i>provided, however</i>, that Other Secured Claims incurred by the Debtors in the ordinary course of business may be paid in the ordinary course of business in accordance with such applicable terms and conditions relating thereto. Nothing in the Plan will preclude the Debtors or the Plan Administrator, as applicable, from challenging the validity of any alleged Lien or any asset of the Debtors or the value of the property that secures any alleged Lien allegedly securing an Allowed Other Secured Claim.</p>	No (presumed to accept)

<sup>4</sup> The approximate percentage recovery for each Class set forth in this Disclosure Statement is based upon certain assumptions that are subject to change, including completion of the Auction. A detailed discussion of the analysis underlying the estimated recoveries, including the assumptions underlying such analysis, is set forth in the Liquidation Analysis attached hereto as **Exhibit C**.

Class	Designation	Treatment	Approximate Percentage Recovery <sup>4</sup>	Entitled to Vote
3	ABL Claims	Unimpaired	100%  To the extent any Allowed ABL Claims are outstanding on the Effective Date, each holder of an outstanding Allowed ABL Claim will receive, except to the extent that a holder of an Allowed ABL Claim has agreed to less favorable treatment of such Claim, payment in full in Cash of such holder's Allowed ABL Claim in full and final satisfaction of such Allowed ABL Claim or such other treatment rendering such holders' Allowed ABL Claim Unimpaired.	No (presumed to accept)
4	Term Loan B-2 Claim	Unimpaired	100%  To the extent any amount of the Allowed Term Loan B-2 Claim is outstanding on the Effective Date, the holder of the Allowed Term Loan B-2 Claim will receive, except to the extent that the holder of the Allowed Term Loan B-2 Claim has agreed to less favorable treatment of such Claim, payment in full in Cash of such holder's Allowed Term Loan B-2 Claim in full and final satisfaction of such Allowed Term Loan B-2 Claim or such other treatment rendering such holder's Allowed Term Loan B-2 Claim Unimpaired.	No (presumed to accept)
5	Term Loan B-1 Claim	Impaired	0%  To the extent any amount of the Allowed Term Loan B-1 Claim is outstanding on the Effective Date, the holder of the Allowed Term Loan B-1 Claim will release any Term Loan B-1 Collateral remaining in the Debtors' Estates after the consummation of the Sale Transaction to the Debtors' Estates, and will waive all Liens that the holder of the Allowed Term Loan B-1 Claim possesses on the Term Loan B-1 Collateral. Pursuant to the Settlement Agreement and the Plan, KKR retains the right to vote its Term Loan B-1 Deficiency Claim in Class 6 General Unsecured Claims in favor of the Plan, and pursuant to the Settlement Agreement, is deemed to have voted such Claim in favor of the Plan in Class 6 General Unsecured Claims. Notwithstanding the foregoing, KKR waives and releases its right to a distribution under the Plan on account of such Term Loan B-1 Deficiency Claim. For the avoidance of doubt, under the Plan, any recoveries realized from Causes of Action will be allocated <i>pro rata</i> among all Allowed General Unsecured Claims, excluding KKR's Term Loan B-1 Deficiency Claim.	Yes (deemed to accept pursuant to Settlement Agreement)

Class	Designation	Treatment	Approximate Percentage Recovery <sup>4</sup>	Entitled to Vote
6	General Unsecured Claims	Impaired	0-3% <sup>5</sup>  On the Effective Date, or as soon thereafter as is reasonably practicable, except to the extent that a holder of an Allowed General Unsecured Claim agrees to less favorable treatment of such Allowed General Unsecured Claim or has been paid before the Effective Date, each holder of an Allowed General Unsecured Claim will receive, in full and final satisfaction of such Claim, its Pro Rata share of (i) the General Unsecured Claims Recovery Amount, (ii) the proceeds from any asset sales, settlements of Causes of Action, or investments of Cash executed by the Plan Administrator after the Effective Date in accordance with the authorities granted to the Plan Administrator pursuant to Section 5.2 of the Plan, and (iii) the Creditor Recovery Trust Interests (if the Creditor Recovery Trust is created pursuant to Section 10 of the Plan at the time of such distribution; if the Creditor Recovery Trust is later formed, each holder will receive its Pro Rata share of the Creditor Recovery Trust Interests at such time). In no event will the holder of a General Unsecured Claim receive distributions on account of such Claim in excess of the Allowed amount of such Claim.	Yes
7	Other Equity Interests	Impaired	0%  Other Equity Interests of any Debtor will be cancelled if and when such Debtor is dissolved in accordance with Section 6.3 of the Plan. Each holder of an Other Equity Interest will neither receive nor retain any property of the Estate or direct interest in property of the Estate of the Debtor on account of such Other Equity Interest; <i>provided</i> that, in the event that all Allowed Claims against such Debtor have been satisfied in full in accordance with the Bankruptcy Code and the Plan, each holder of an Other Equity Interest in such Debtor may receive its Pro Rata Share of any remaining assets of such Debtor.	No (Plan proponents presumed to accept)

<sup>5</sup> Actual recovery for General Unsecured Claims will vary depending on, among other things, the ultimate amount of Allowed General Unsecured Claims, actual recoveries on accounts receivable, actual amounts of proceeds from unencumbered assets, and the magnitude of the Administrative Expense Claims asserted against the Debtors' Estates.

Class	Designation	Treatment	Approximate Percentage Recovery <sup>4</sup>	Entitled to Vote
8	Existing Clothesline Holdings Interests	Impaired	0%  Existing Clothesline Holdings Interests will be cancelled if and when Clothesline Holdings is dissolved in accordance with Section 6.3 of the Plan. Each holder of an Existing Clothesline Holdings Interest will neither receive nor retain any property of the Estate or direct interest in property of the Estate of Clothesline Holdings on account of such Existing Clothesline Holdings Interest; <i>provided</i> that, in the event that all Allowed Claims against Clothesline Holdings have been satisfied in full in accordance with the Bankruptcy Code and the Plan, each holder of an Existing Clothesline Holdings Interest may receive its Pro Rata Share of any remaining assets of Clothesline Holdings.	No (presumed to reject)

Section V of this Disclosure Statement provides a more detailed description of the treatment of Claims and Interests under the Plan.

Pursuant to the provisions of the Bankruptcy Code, only those holders of claims or interests in classes that are impaired under a chapter 11 plan and that are not deemed to have rejected the plan are entitled to vote to accept or reject the proposed plan. Classes of claims or interests in which the holders of claims are unimpaired under a proposed plan are deemed to have accepted the proposed plan and are not entitled to vote to accept or reject it. Classes of claims or interests in which the holders of claims or interests receive no distribution under a proposed plan are deemed to have rejected the proposed plan and are not entitled to vote to accept or reject it.

#### **F. CONFIRMATION UNDER SECTION 1129(B): “CRAMDOW”**

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, or both. In addition, with respect to the Classes that are deemed to have rejected the Plan, the Debtors intend to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) permits the confirmation of a chapter 11 plan notwithstanding the rejection of such plan by one or more impaired classes of claims or interests. Under section 1129(b), a plan may be confirmed by a bankruptcy court if it does not “discriminate unfairly” and is “fair and reasonable” with respect to each rejecting class. A more detailed description of the requirements for confirmation of a non-consensual plan is set forth in Section VI.2 of this Disclosure Statement.

#### **G. CONFIRMATION HEARING**

Pursuant to section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on [●], 2017 at \_\_ \_\_.m. (Eastern Time) before the Honorable James L. Garrity, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, NY 10004-1408.

Objections and responses to confirmation of the Plan, if any, must be served and filed as to be received on or before the Confirmation Objection Deadline, [●], 2017 at 12:00 p.m. (Eastern Time), in the manner described in the order approving this Disclosure Statement (the “**Disclosure Statement Order**”) and Section VIII.B of this Disclosure Statement. The Confirmation Hearing may be

adjourned from time to time without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

## II.

### OVERVIEW OF DEBTORS' OPERATIONS

#### A. DEBTORS' BUSINESS

Angelica is a leading provider of linen management and laundry services to the U.S. healthcare industry. Angelica was founded in 1878 as a uniform manufacturing company in St. Louis, Missouri. During the 2000s, Angelica made the strategic decision to focus exclusively on the healthcare laundry segment, resulting in the divestiture of Angelica's manufacturing and retail businesses, the completion of more than ten business acquisitions in the healthcare linen management segment, and the relocation of Angelica's corporate headquarters to Alpharetta, Georgia. Angelica's tailored focus on the healthcare laundry segment, combined with its growth-through-acquisition strategy, resulted in revenue growth of 51.9% from 2003 to 2007.

In August 2008, Angelica was acquired by Trilantic Capital Partners LLP ("**Trilantic**") through a stock acquisition and delisted its common shares from the New York Stock Exchange. As of the Commencement Date, Trilantic was Clothesline Holdings, Inc.'s ("**Holdings**") principal stockholder. The remaining Debtors are all wholly-owned direct or indirect subsidiaries of Holdings. A chart illustrating the organizational structure of the Debtors as of the Commencement Date is attached hereto as **Exhibit B**.

Further information on the background of the Debtors' business and employee base can be found in the *Declaration of John Makuch Pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York* [Docket No. 3] (the "**First Day Declaration**").

#### B. DEBTORS' CAPITAL STRUCTURE

##### 1. *Prepetition Indebtedness*

As of the Commencement Date, the Debtors had outstanding funded debt obligations in the aggregate amount of approximately \$135.5 million, which consisted of (i) approximately \$50.5 million in senior secured first lien borrowings, including undrawn letters of credit, under the ABL Facility (as defined in the First Day Declaration), (ii) approximately \$85 million in principal amount of senior secured second lien borrowings under the Term Loan Facility (as defined in the First Day Declaration), and (iii) unsecured debt. The Term Loan Facility is composed of \$58 million Term B-1 Loans held by KKR (in such capacity, the "**Term B-1 Lender**") and a \$22.5 million Term B-2 Loan held by GACP Finance Co., LLC (the "**Term B-2 Lender**"). Upon the Sale Closing, all outstanding amounts owing to the Term B-2 Lender on account of its Term Loan B-2 Claim are to be satisfied from the Sale Proceeds in accordance with the Purchase Agreement. Detailed information on the capital structure of the Debtors prior to the Commencement Date can be found in the First Day Declaration.

In the ordinary course of business, the Debtors incur various fixed, liquidated, and undisputed payment obligations (the "**Trade Claims**") to various third-party providers of goods and services (the "**Trade Creditors**") that facilitate the Debtors' business operations. As of the Commencement Date, the Debtors estimate that the aggregate amount of Trade Claims outstanding was approximately \$40 million. Certain of the Trade Claims may be entitled to statutory priority, such as under section 503(b)(9) of the Bankruptcy Code, or may give rise to shippers, warehouseman, or



mechanics liens against the Debtors' property if unpaid (collectively, the "**Priority Trade Claims**"). Excluding the likely Priority Trade Claims, the Debtors estimated that, as of the Commencement Date, the total Trade Claims equaled approximately \$36.7 million (the "**Non-Priority Trade Claims**").

2. *Equity Ownership*

As discussed in Section II.A above, the Debtors are privately-held companies and do not have any publicly-traded equity. As of the Commencement Date, Trilantic, directly and/or through its subsidiaries, owned 93% of Holdings' common stock. The remaining Debtors are all wholly-owned direct or indirect subsidiaries of Holdings.

C. **DEBTORS' EMPLOYEE PENSION OBLIGATIONS**

1. *PBGC and Angelica Corporation Pension Plan*

Each of the Debtors is a contributing sponsor for the Angelica Corporation Pension Plan (the "**Pension Plan**"), or a member of the sponsor's controlled group, within the meaning of 29 U.S.C. §§ 1301(a)(13), (14). The Pension Plan is a defined benefit pension plan covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"). See 29 U.S.C. §§ 1301-1461. The Pension Plan provides retirement benefits for approximately 1,123 of the Debtors' employees and their beneficiaries.

The Pension Benefit Guaranty Corporation (the "**PBGC**") is the federal agency that administers the pension insurance program under Title IV of ERISA. When an underfunded pension plan terminates with insufficient assets to pay benefits, the PBGC generally becomes statutory trustee of the plan and pays benefits to the plan's participants up to statutory limits.

The exclusive means of terminating a pension plan are through: (i) a standard termination, 29 U.S.C. § 1341; (ii) a distress termination, 29 U.S.C. § 1341(c); or (iii) a PBGC-initiated termination, 29 U.S.C. § 1342.

Each Debtor, as either the sponsor or a member of the sponsor's controlled group, are jointly and severally liable to contribute to the Pension Plan the amounts necessary to satisfy the minimum funding standards in ERISA and the Internal Revenue Code of 1986, as amended (the "**IRC**"). See 29 U.S.C. §§ 1082, 1083; 26 U.S.C. §§ 412, 430. The Debtors are also jointly and severally liable for insurance premiums owed to the PBGC. See 29 U.S.C. §§ 1306, 1307.

The PBGC has filed proofs of claims against the Debtors for: (i) the Pension Plan's underfunded benefit liabilities totaling \$12,343,323; (ii) unpaid minimum funding contributions owed to the Pension Plan totaling \$2,205,501; and (iii) certain unliquidated insurance premiums owed to the PBGC. The Debtors have the right to contest the amounts and validity of these proofs of claims.

The PBGC takes the position that any discharges, releases, exculpations, or relief granted under Section 12.5, 12.6 and 12.9–12.13 of the Plan, the Plan Supplement, the Confirmation Order, the Bankruptcy Code (including section 1141 thereof), or any other document filed in the Chapter 11 Cases should not be binding with respect to any liability or responsibility arising under or in connection with the Pension Plan under any law, government policy, or regulatory provision. The Debtors disagree with this characterization at this time, however, the Debtors and the PBGC intend to work together to resolve this issue. In the event this issue cannot be mutually resolved by the Confirmation Objection Deadline, the PBGC reserves the right to file an objection to confirmation of the Plan on these grounds, among others.

2. *UFCW Pension Plan*

Pursuant to certain prepetition collective bargaining agreements, the Debtors and certain of their affiliates agreed to contribute to the United Food and Commercial Workers International Union - Industry Pension Plan (the “**UFCW Pension Plan**”). The UFCW Pension Plan is a multiemployer Taft-Hartley pension plan pursuant to the Labor Management Relations Act and ERISA.

The UFCW Pension Plan asserts that the consummation of the Sale Transaction will result in a complete withdrawal from the UFCW Pension Plan, and that the unfunded vested benefits liability allocable to the Debtors under the UFCW Pension Plan’s withdrawal liability provision for a complete withdrawal occurring before July 1, 2017 is estimated to be \$7,163,547.

Similar to the PBGC, the UFCW Pension Plan takes the position that the releases contemplated under Section 12.10 of the Plan should not release non-Debtors, other trades or businesses under common control with the Debtors, KKR, the Purchaser, or other non-Debtor third parties for liability arising under Title IV of ERISA, including, but not limited to, liability related to a withdrawal from multiemployer pension or benefit plans. The Debtors disagree with this characterization at this time, however, the Debtors and the UFCW Pension Plan intend to work together to resolve this issue. In the event this issue cannot be mutually resolved by the Confirmation Objection Deadline, the UFCW Pension Plan reserves the right to file an objection to confirmation of the Plan on these grounds, among others.

**III.**

**KEY EVENTS LEADING TO COMMENCEMENT  
OF CHAPTER 11 CASES**

**A. DECLINING PERFORMANCE AND INABILITY TO REVERSE TREND**

Angelica experienced significant revenue growth in the years leading up to its acquisition by Trilantic in 2008. This growth can be attributed primarily to Angelica’s strategic initiatives to focus on the healthcare laundry segment and expand its market share of that segment through acquisitions. Since being acquired in 2008, however, regulatory changes in the healthcare industry, specifically the enactment of The Patient Protection and Affordable Care Act in March 2010, resulted in increased pricing pressures from Angelica’s customers and a more challenging operating environment for Angelica and its competitors.

Faced with direct pricing pressures from current and potential customers, as well as indirect pressures from competitors’ increased amenability to customer pricing requests, Angelica has had to consistently drop its rates to maintain market share in a highly fragmented and competitive industry. As a result, Angelica’s revenues have declined steadily and substantially over the last several years.

Since late 2010, Angelica has undertaken a number of initiatives to address these changing market conditions. These initiatives are described in the First Day Declaration. Nevertheless, cost savings could not keep up with Angelica’s declining revenues. Furthermore, management identified areas where Angelica’s cost structure was beginning to lag behind certain of its competitors, specifically in connection with Angelica’s increasing labor costs and equipment repair and maintenance costs. With respect to labor costs, the healthcare linen industry, like many long-running industries, has shifted in recent years from being labor-intensive to automation. In an effort to adapt to this new industry paradigm, certain of Angelica’s competitors reduced their cost base through automation, a strategy that Angelica was unable to match due to capital constraints. Accordingly, Angelica is at a competitive disadvantage relative to more automated industry competitors. Notwithstanding management’s efforts, it

became increasingly clear that Angelica would not be able to complete the operational improvements necessary to overcome market pressures, nor catch up with certain of its more efficient competitors, without investments in capital improvements. Angelica's declining top-line revenues, coupled with its burdensome secured debt obligations, however, made such investments not feasible.

In late 2015, Angelica's largest customer did not renew its contract. In April 2016, after this significant customer contract was nearly phased out, Angelica retained A&M to assist in managing cash flow and identifying operational improvements that could be realized on an expedited basis. In October 2016, after liquidity constraints continued, Angelica expanded the scope of the A&M engagement to conduct a comprehensive assessment of potential performance improvement initiatives and cost savings. Among other things, A&M's assessment confirmed the need for additional capital to be invested in automation and modernized equipment. Their report also identified the need for additional investments in new senior personnel with expertise in logistics, operations management, and centralized procurement, and recommended the consolidation of certain inefficient laundry plants.

## **B. PREPETITION MARKETING AND SALE PROCESS**

In addition to commissioning the assessment of potential performance improvement initiatives, Angelica and its board (the "**Board**"), on September 9, 2016, retained Houlihan Lokey to serve as its investment banker and to market substantially all of its assets. Starting in November 2016, Houlihan Lokey actively marketed Angelica's business for a going concern sale in an extensive, organized prepetition bidding process (the "**Prepetition Sale Process**"), which lasted approximately 12 weeks and included contacting over 200 potential buyers – both strategic and financial. Parties indicating interest executed confidentiality agreements and received a copy of a confidential information memorandum (the "**CIM**") and, for a select group of final round bidders, access to a data room (the "**Data Room**") as well as to the Debtors' advisors and management as circumstances warranted.

Ultimately, KKR Credit Advisors (US) LLC, on behalf of certain of its affiliates and managed funds and accounts ("**KKR Credit**"), a prepetition lender under the Debtors' Term Loan Credit Agreement, through its affiliate, 9W Halo Holdings L.P. (the "**Halo**" and, together with KKR Credit, "**KKR**"), submitted a bid, which bid included a credit bid component on account of a portion of KKR's prepetition debt, to purchase substantially all of Angelica's assets free and clear of any liens, claims, encumbrances, and other interests in accordance with section 363(f) of the Bankruptcy Code.

After extensive deliberations, significant negotiations with KKR, and multiple rounds of revisions to the terms of the bid, Angelica and its Board determined that they had received the most value-enhancing and job-preserving bid possible through the Prepetition Sale Process and accordingly entered into a stalking horse asset purchase agreement, dated April 3, 2017 (the "**Stalking Horse APA**," a copy of which has been filed with the Bankruptcy Court [Docket No. 17]) with Halo, as buyer (the "**Stalking Horse Bidder**"). The bid set forth in the Stalking Horse APA (the "**Stalking Horse Bid**") provided for the going concern sale of substantially all of Angelica's assets for an aggregate purchase price estimated at approximately \$125 million, including cash and cash consideration<sup>6</sup> and a credit bid in the amount of \$17.4 million, plus the assumption of certain liabilities, subject to certain adjustments (the "**Stalking Horse Purchase Price**").

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<sup>6</sup> This cash consideration includes an amount sufficient to satisfy, among other things, (i) all obligations (a) secured by liens on Angelica's assets that are senior to those held by KKR and (b) senior to KKR in payment priority, pursuant to the Agreement Among Term Loan Lenders (as defined above), and (ii) the costs, up to a capped amount, associated with the wind-down of the Debtors' Estates after consummation of the Sale Transaction (the "**Closing Cash Shortfall**").

With the Stalking Horse Bid in hand, Angelica filed its chapter 11 with a clear path towards implementing a going concern sale of its assets free and clear of liabilities followed by an orderly wind-down of the Debtors' Estates effectuated through a chapter 11 plan, which process will maximize value for all stakeholders. Importantly, a sale of Angelica's business will allow it to continue operating as a stronger company with a healthy balance sheet and an owner capable of providing the long-needed capital for investments in technology, personnel, and automation that will enable Angelica to maintain its position as a leader in the healthcare linen industry.

#### IV.

### KEY EVENTS DURING CHAPTER 11 CASES

#### A. FIRST AND SECOND DAY PLEADINGS

On the Commencement Date or shortly thereafter, the Debtors filed various "first-day" and "second-day" motions seeking certain immediate or expedited relief from the Bankruptcy Court designed to allow the Debtors to continue to operate in chapter 11 and avoid irreparable harm due to the commencement of the Chapter 11 Cases. A description of these pleadings is set forth in the First Day Declaration. The Bankruptcy Court granted substantially all of the relief requested in the first and second day motions and entered various orders authorizing the Debtors to, among other things:

- Continue the use of the Debtors' cash management system, bank accounts, and business forms.
- Continue paying employee wages and benefits.
- Pay prepetition claims of shippers who can assert liens against the Debtors' property.
- Pay certain critical vendors and obligations with respect to prepetition orders of goods to be delivered postpetition.
- Pay certain prepetition taxes and assessments.
- Continue insurance programs.
- Continue Group Purchasing Organization programs.
- Establish procedures for utility companies to request adequate assurance of payment and to prohibit utility companies from altering or discontinuing service.

#### B. DEBTOR-IN-POSSESSION FINANCING

On the Commencement Date, the Debtors filed a motion (the "**DIP Motion**") to obtain debtor-in-possession financing and use cash collateral to fund their operations through the completion of the Sale Process, and to provide adequate protection to the Debtors' prepetition secured lenders in connection with a debtor-in-possession revolving credit facility of up to \$65 million (the "**DIP Facility**" and the underlying agreement, the "**DIP Agreement**").

The DIP Facility is a senior secured, superpriority revolving loan facility provided by Wells Fargo Capital Finance, LLC (in its individual capacity, "**Wells Fargo**"), as agent (in such capacity, the "**DIP Agent**") for itself and Regions Bank (collectively with Wells Fargo, the "**DIP Lenders**"). The DIP Facility is secured by a priming first priority lien on the Collateral, and a first priority lien on all of the Debtors' unencumbered assets. In addition, the terms of the DIP Facility require a "creeping" roll-up of the outstanding funded obligations under the ABL Facility (the "**Roll-Up**").

As the DIP Facility is only available to fund the Debtors' operations through the completion of the Sale Process, the DIP Agreement does not contain any milestones related to a chapter 11 plan. The DIP Agreement does, however, include the following sale milestones to ensure a timely execution of the postpetition sale process:

<b><u>Sale Milestones</u></b> <sup>7</sup>	<b><u>Date</u></b>
File Motion to Approve Bidding Procedures and Establish Auction Date	April 10, 2017
Obtain Order Approving Stalking Horse APA and Bidding Procedures Motion	April 28, 2017
Conduct Auction	June 12, 2017
Obtain Sale Order <sup>8</sup>	June 23, 2017
Consume Sale	June 29, 2017

The DIP Facility was approved on an interim basis on April 4, 2017 [Docket No. 30]. Upon interim approval of the DIP Facility, the Debtors obtained access to \$37,625,000 under the DIP Facility. The DIP Motion was approved on a final basis by order of the Bankruptcy Court dated May 3, 2017 [Docket No. 144] and provided the Debtors with access to the remaining \$27,375,000 under the DIP Facility. Approval of the DIP Facility and the consensual use of cash collateral, together with the Successful Bidder's obligation under the Purchase Agreement (as defined below) to fund certain specified wind-down costs of the Debtors' Estates, has provided, and will continue to provide, the Debtors with sufficient liquidity to support their working capital needs to operate their business during these chapter 11 cases, carry out a going concern sale of the Debtors' assets, and wind-down the Debtors' remaining liabilities, in each case without serious disruption and to the benefit of all of the Debtors' stakeholders.

Upon the Sale Closing, all outstanding amounts owing to the DIP Lenders on account of both their ABL Claims and DIP Claims are to be satisfied from the Sale Proceeds in accordance with the Purchase Agreement.

#### **C. FORMATION OF CREDITORS' COMMITTEE**

On April 12, 2017, the United States Trustee for Region 2 (the "**U.S. Trustee**") appointed the statutory committee of unsecured creditors pursuant to section 1102 of the Bankruptcy Code (the "**Creditors' Committee**"). The Creditors' Committee retained Cole Schotz P.C. as legal advisor and FTI Consulting, Inc. as financial advisor. The members of the Creditors' Committee are the National Retirement Fund, Workers United, SEIU, Harbor Linen LLC, Sodexo Laundry Services, Inc., Med I Plant, Inc., American Associated Company, Inc., and Ryder Transportation Services.

#### **D. SCHEDULES AND BAR DATES**

On April 17, 2017, the Debtors filed their schedules of assets and liabilities, schedules of executory contracts and unexpired leases, and statements of financial affairs.

On May 3, 2017, the Bankruptcy Court entered an order [Docket No. 145] (the "**Bar Date Order**"), establishing (i) June 26, 2017 at 5:00 p.m. (Eastern Time) as the Deadline for each person or entity, not including governmental units to file proofs of claim in respect of any prepetition claims against any of the Debtors (the "**General Bar Date**") and (ii) September 30, 2017 at 5:00 p.m. (Eastern Time) as the deadline for governmental units to file proofs of claim in respect of any prepetition claims against any of the Debtors (the "**Governmental Bar Date**").

<sup>7</sup> The Milestones listed in this chart reflect only the dates pertaining to each Milestone and not any other requirements. For a more detailed summary of the Milestones please refer to the Final DIP Order.

<sup>8</sup> On June 15, 2017, the Debtors filed a consensual stipulation extending the Milestone for obtaining the Sale Order from June 17, 2017 until June 23, 2017 [Docket No. 306]. Due to the DIP Agent's consent to, and execution of, the stipulation, the Debtors are not in default under the DIP Agreement.

**E. SALE OF DEBTORS' ASSETS**

1. *Postpetition Sale Process*

The Debtors commenced the Chapter 11 Cases with the goal of selling substantially all of their assets as a going concern (the “**Purchased Assets**”). To that end, on the Commencement Date, the Debtors filed the *Motion of Debtors Pursuant to 11 U.S.C. §§ 105, 363, 365, 503, And 507 and Fed. R. Bankr. P. 2002, 6004, And 6006 for Approval of: (I) (A) Bidding Procedures, (B) Stalking Horse Asset Purchase Agreement and Bid Protections, (C) Form and Manner of Notice of Auction, Sale Transaction, and Sale Hearing, and (D) Assumption and Assignment Procedures; and (II) (A) Purchase Agreement, (B) Sale of Substantially All of Debtors’ Assets Free and Clear of Liens, Claims, Interests, and Encumbrances, and (C) Assumption and Assignment of Certain Executory Contracts and Unexpired Leases* [Docket No. 17], and initiated a postpetition sale and marketing process for the Purchased Assets (the “**Sale Process**”).

On April 28, 2017, the Bankruptcy Court entered the *Order Approving (A) Bidding Procedures, (B) Stalking Horse Asset Purchase Agreement and Bid Protections, (C) Form and Manner of Notice of Auction, Sale Transaction, and Sale Hearing, (D) Assumption and Assignment Procedures, and (E) Date For Auction, if Necessary, and Sale Hearing* [Docket No. 137] (the “**Bidding Procedures Order**”). The Bidding Procedures Order, among other things, approved the Stalking Horse APA, specified procedures regarding the assumption and assignment of the Debtors’ executory contracts and unexpired leases (the “**Bidding Procedures**”), and scheduled an auction (the “**Auction**”) for June 5, 2017, if necessary, for the sale of the Purchased Assets. The Stalking Horse APA was subject to higher or better offers in accordance with the Bidding Procedures. As such, the Bidding Procedures Order required the Debtors, in conjunction with their advisors, to continue to engage in an extensive marketing and diligence process for the sale of the Purchased Assets until May 29, 2017 (the “**Bid Deadline**”).

Indeed, the Bidding Procedures Order established a complete timeline for the Sale Process, including the following key dates and deadlines:

<b><u>Bidding Procedures Timeline:</u></b>	<b><u>Date</u></b>
Deadline to Serve Cure Notice and Sale Notice	<b>May 1, 2017</b>
Bid Deadline	<b>May 29, 2017</b>
Deadline to Object to Sale Transaction <sup>9</sup> / Deadline to Object to Assumption and Assignment of Purchased Contracts to Stalking Horse Bidder, Including Proposed Cure Costs	<b>June 2, 2017</b>
Deadline for Debtors to Designate and Publish Baseline Bid	<b>June 2, 2017</b>
Auction (if necessary)	<b>June 5, 2017</b>
Deadline for Debtors to File and Serve Notice of Successful Bidder and Back-Up Bidder (if Auction conducted)	<b>June 6, 2017</b>
Deadline to File Adequate Assurance Objection for Successful Bidder other than the Stalking Horse Bidder (if Auction conducted)	<b>June 8, 2017</b>
Sale Hearing <sup>10</sup>	<b>June 23, 2017</b>

In order to be designated a Qualified Bid, the Bidding Procedures required that any competing bid for the Purchased Assets must, at a minimum, (a) exceed the Stalking Horse Purchase Price, including the Closing Cash Shortfall, by an amount equal to or greater than the aggregate amount of (i) an expense reimbursement obligation capped at \$750,000 (the “**Expense Reimbursement**”) and (ii) an initial overbid amount of \$1,000,000 and (b) provide for an alternative transaction that provides substantially similar or better terms than the Stalking Horse Bid. As such, any competing Qualified Bid only guaranteed greater distributions on account of General Unsecured Claims.

Pursuant to the Bidding Procedures Order, the Debtors served notice of the proposed Sale Transaction, Auction, and Sale Hearing (the “**Sale Notice**”) on all known creditors, the non-Debtor parties to certain of the Debtors’ executory contracts and unexpired leases, and all parties known by the Debtors to have expressed an interest in a transaction with respect to the Purchased Assets during the 12 months prior to the filing of the Sale Motion, among others [Affidavit of Service at Docket No. 153]. The Sale Notice was also published in *The New York Times*, national edition, and *The Wall Street Journal* [Affidavit of Service at Docket No. 155].

In addition to serving the Sale Notice, Houlihan Lokey contacted more than 200 parties who had expressed interest in purchasing the Purchased Assets, in whole or in part, during the Prepetition Sale Process. Of those contacted, five expressed interest in learning more about the Debtors business and the opportunity to participate in the Auction. Separately, three additional parties contacted Houlihan Lokey on an unsolicited basis to learn more about the Debtors business and the prospect of participating in the Auction, each of whom entered into confidentiality agreements. These new parties, as well as the

<sup>9</sup> By separate stipulations, the Debtors agreed to an extended deadline for the Creditors’ Committee and the United Food and Commercial Workers International Union to object to the Sale Transaction of June 7, 2017 at 12:00 p.m. (Eastern Time).

<sup>10</sup> On June 13, 2017, the Debtors filed a notice adjourning the Sale Hearing from June 14, 2017 until June 23, 2017 [Docket No. 298].

five active parties who had participated in the Prepetition Sale Process and who had previously executed a confidentiality agreement, obtained a copy of the CIM, as well as access to the Data Room and to the Debtors' advisors.

Despite these efforts, upon the expiration of the Bid Deadline, the Debtors had not received any Qualified Bids other than the Stalking Horse Bid. Accordingly, on May 30, 2017, the Debtors filed a notice [Docket No. 221] indicating that the Auction was cancelled and designating the Stalking Horse Bidder as the "**Successful Bidder**" for the Purchased Assets.

## *2. Settlement Between Debtors, Creditors' Committee, and KKR Credit*

Shortly after being appointed, the Creditors' Committee raised concerns about certain administrative liabilities not being assumed under the Stalking Horse APA and the feasibility of winding down the Debtors' Estates following the Sale Transaction and proceeding to confirmation of, and ultimately effectuating distributions under, the Plan. With these concerns in mind and in preparation for the Sale Hearing, the Creditors' Committee initiated an extensive investigation primarily focused on (i) the assumption and funding of liabilities under the Stalking Horse APA, (ii) the Prepetition Sale Process, (iii) the historical relationships and business dealings between the Debtors and each of its major stakeholders, and (iv) the recent and historical actions of the Debtors' directors and officers. As part of the investigation, the Creditors' Committee, among other things, (i) served subpoenas on the Debtors, KKR Credit, Wells Fargo, and Trilantic, (ii) took depositions of a representative from each of the Debtors and Wells Fargo, and (iii) served comprehensive document requests on each of the subpoenaed parties and reviewed thousands of produced documents.

Prior to completing its investigation, the Creditors' Committee agreed to engage in discussions with the Debtors and KKR Credit (collectively with the Debtors and the Creditors' Committee, the "**Settlement Parties**") to address the Creditors' Committee's concerns. Following extensive arm's-length negotiations among the Settlement Parties and their counsel, the Settlement Parties entered into a settlement agreement, dated June 19, 2017 (the "**Settlement Agreement**," a copy of which has been filed with the Bankruptcy Court [Docket No. 313]), that provided for the resolution of the Settlement Parties' disputes related to the Sale Transaction and subsequent wind-down of the Debtors' Estates. The Bankruptcy Court entered an order approving the Settlement Agreement on [●], 2017 [Docket No. [●]].

Pursuant to the Settlement Agreement, KKR Credit, on behalf of the Successful Bidder, clarified the specific expenses that the Successful Bidder would either assume or agree to fund upon and following the Sale Closing, thereby alleviating many of the Creditors' Committee's concerns regarding consummation of the Plan. Additionally, the Settlement Agreement obligated (i) the Successful Bidder, upon Sale Closing, to fund \$1.4 million to the Debtors and (ii) the Debtors to retain on hand at least \$1.4 million at all times prior to the Effective Date and to make \$1.4 million available for use by the Plan Administrator and/or the Creditor Recovery Trust to make distributions under the Plan to the holders of General Unsecured Claims, excluding the Term Loan B-1 Deficiency Claim (which KKR Credit also agreed to waive). In exchange, the Creditors' Committee agreed, in sum, to support the Sale Transaction and to discontinue its investigation and any potential pursuit of litigation against the Debtors' directors and officers, as well as KKR Credit and any of its Affiliates (including the Successful Bidder), and their respective successors, assigns, employees, advisors, and representatives.

Moreover, the Settlement Agreement resulted in amendments and revisions, respectively, to the Stalking Horse APA (as discussed in more detail immediately below) and the Plan, and, importantly, allowed the Debtors to proceed towards consummation of both the Sale Transaction and the



Plan on a largely consensual basis, subject only to ongoing negotiations with the labor unions representing the Debtors' employees and the Debtors' pension plans.

3. *Sale Consummation*

Shortly after the execution of the Settlement Agreement [and the conclusion of successful union and pension negotiations], the Successful Bidder provided the Debtors with documentation memorializing the final terms of the Stalking Horse Bid, including fully executed versions of the Stalking Horse APA and all of the exhibits thereto (collectively, the "**Purchase Agreement**," a copy of which has been filed with the Bankruptcy Court [Docket No. [●]]).

A hearing to consider approval of the Sale Transaction was held on June 23, 2017, and on June [●], 2017 the Bankruptcy Court entered the *Order (I) Approving Purchase Agreement Among Sellers and Purchaser (II) Authorizing Sale of Certain of Debtors' Assets Free and Clear of Liens, Claims, Interests, and Encumbrances, (III) Authorizing Assumption and Assignment of Certain Executory Contracts and Leases in Connection Therewith and (IV) Granting Related Relief* [Docket No. [●]] (the "**Sale Order**"). Shortly after entry of the Sale Order, the Sale Transaction was consummated and ownership of the Purchased Assets was transferred to the Successful Bidder.

V.

PLAN

A. INTRODUCTION

This section of the Disclosure Statement summarizes the Plan, a copy of which is attached hereto as **Exhibit A**. This summary is qualified in its entirety by reference to the provisions of the Plan; thus the provisions of the Plan will control in the event of any discrepancy between this Disclosure Statement and the Plan.

In general, a chapter 11 plan divides claims and equity interests into separate classes, specifies the property that each class is to receive under the Plan, and contains other provisions necessary to implement the Plan.

Under the Bankruptcy Code, "claims" and "equity interests," rather than "creditors" and "equity holders," are classified because creditors and equity holders may hold claims and equity interests in more than one class.

Statements as to the rationale underlying the treatment of claims and equity interests under the Plan are not intended to, and will not, waive, compromise or limit any rights, claims or causes of action in the event objections to classification or treatment are filed or the Plan is not confirmed.

**THE DEBTORS URGE YOU TO READ THE PLAN IN ITS ENTIRETY  
BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.**

B. CLASSIFICATION AND TREATMENT OF CLAIMS AND  
INTERESTS UNDER PLAN

One of the key concepts under the Bankruptcy Code is that only claims that are "allowed" may receive distributions under a chapter 11 plan. This term is used throughout the Plan and the descriptions below.

In general, an “allowed” claim or an “allowed” equity interest simply means that the debtor agrees, or in the event of a dispute, that the Bankruptcy Court determines, that the claim or equity interest, and the amount thereof, is in fact a valid obligation of the debtor. Section 502(a) of the Bankruptcy Code provides that a timely filed claim or equity interest is automatically “allowed” unless the debtor or other party in interest objects. However, section 502(b) of the Bankruptcy Code specifies certain claims that may not be “allowed” in bankruptcy even if a proof of claim is filed. These include, but are not limited to, claims that are unenforceable under the governing agreement between a debtor and the claimant or under applicable non-bankruptcy law, claims for unmatured interest, property tax claims in excess of the debtor’s equity in the property, claims for services that exceed their reasonable value, real property lease and employment contract rejection damages in excess of specified amounts, late-filed claims, and contingent claims for contribution and reimbursement. In addition, Bankruptcy Rule 3003(c)(2) prohibits the allowance of any claim or equity interest that either is not listed on the debtor’s schedules or is listed as disputed, contingent or unliquidated, if the holder has not filed a proof of claim or equity interest before the established deadline.

The Bankruptcy Code requires, for purposes of treatment and voting, that a chapter 11 plan divide the different claims against, and equity interests in, the debtor into separate classes based upon their legal nature. Claims of a substantially similar legal nature are not necessarily classified together, nor are equity interests of a substantially similar legal nature necessarily classified together. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the “claims” and “equity interests” themselves, rather than their holders, are classified.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as “impaired” (affected by the Plan) or “unimpaired” (unaffected by the Plan). If a class of claims is “impaired,” the Bankruptcy Code affords certain rights to the holders of such claims, such as the right to vote on the Plan, and the right to receive, under the chapter 11 plan, no less value than the holder would receive if the debtor were liquidated in a case under chapter 7 of the Bankruptcy Code. Under section 1124 of the Bankruptcy Code, a class of claims or interests is “impaired” unless the Plan (i) does not alter the legal, equitable, and contractual rights of the holders or (ii) irrespective of the holders’ acceleration rights, cures all defaults (other than those arising from the debtor’s insolvency, the commencement of the case or nonperformance of a nonmonetary obligation), reinstates the maturity of the claims or interests in the class, compensates the holders for actual damages incurred as a result of their reasonable reliance upon any acceleration rights, and does not otherwise alter their legal, equitable, and contractual rights.

Pursuant to section 1126(f) of the Bankruptcy Code, holders of unimpaired claims or interests are “conclusively presumed” to have accepted the Plan. Accordingly, their votes are not solicited. Under the Plan, the following classes are unimpaired, and therefore, the holders of such Claims are “conclusively presumed” to have voted to accept the Plan: Class 1 (Other Priority Claims), Class 2 (Other Secured Claims), Class 3 (ABL Claims), and Class 4 (Term Loan B-2 Claim).

Under certain circumstances, a class of claims or equity interests may be deemed to reject a plan. For example, a class is deemed to reject a plan under section 1126(g) of the Bankruptcy Code if the holders of claims or equity interests in such class do not receive or retain property under the Plan on account of their claims or equity interests. Under this provision of the Bankruptcy Code, Class 8 (Existing Clothesline Holdings Interests) is deemed to reject the Plan because, under the Plan, members of Class 8 will receive no distribution and retain no property interest on account of their Interests. Since Class 8 is deemed to reject the Plan, the Debtors are required to demonstrate that the Plan satisfies the requirements of section 1129(b) of the Bankruptcy Code with respect to this Class. Among these are the requirements that the Plan be “fair and equitable” with respect to, and not “discriminate unfairly” against, Class 8.

Although holders of Class 7 (Other Equity Interests) will be impaired under the Plan and will not receive any distribution on account of such Interests, as proponents of the Plan, the holders of Other Equity Interests are “conclusively presumed” to have voted to accept the Plan.

Class 6 (General Unsecured Claims) is impaired under the Plan and, therefore, the holders with respect thereto are entitled to vote to accept or reject the Plan.

Although the holder of Class 5 (Term Loan B-1 Claim) will be impaired under the Plan and retains the right to vote, pursuant to the Settlement Agreement, the holder with respect thereto is deemed to have voted to accept the Plan.

### **C. UNCLASSIFIED CLAIMS**

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests described in the Plan and are not entitled to vote to accept or reject the Plan.

#### **1. *Administrative Expense Claims.***

Administrative Expense Claims are the actual and necessary costs and expenses of administration during the Chapter 11 Cases pursuant to sections 328, 330, 363, 364(c)(1), 365, 503(b) or 507(a)(2) of the Bankruptcy Code.

Except to the extent that a holder of an Allowed Administrative Expense Claim and the Debtors or the Plan Administrator agree to different treatment, the Debtors (or the Plan Administrator, as the case may be) will pay to each holder of an Allowed Administrative Expense Claim, in full satisfaction, settlement, release and discharge of, and in exchange for such Allowed Administrative Expense Claim, Cash in an amount equal to such Claim on, or as soon thereafter as is reasonably practicable, the later of (a) the Effective Date and (b) the first Business Day after the date that is 30 calendar days after the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim; *provided* that, the Fee Claims will receive the treatment provided in Section 2.2 of the Plan; *provided further* that, the DIP Claims will receive the treatment provided in Section 2.4 of the Plan; *provided further* that, Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors will be paid by the Debtors in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions.

Except as otherwise provided by a Final Order previously entered by the Bankruptcy Court (including the Bar Date Order) or as provided by Section 2.4 of the Plan, requests for payment of Administrative Expense Claims, other than requests for payment of Fee Claims, must be filed and served on the Debtors no later than the Administrative Expense Claims Bar Date pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order.

Holders of Administrative Expense Claims that are required to file and serve a request for payment of such Administrative Expense Claims and that do not file and serve such a request by the Administrative Expense Claims Bar Date will be forever barred, estopped, and enjoined from asserting such Administrative Expense Claims against the Debtors or their property, and such Administrative Expense Claims will be deemed compromised, settled, and released as of the Effective Date. The Plan Administrator must file and serve objections to Administrative Expense Claims on or before the Administrative Expense Claims Objection Bar Date.

2. *Fee Claims.*

All entities seeking an award by the Bankruptcy Court of Fee Claims (i) will file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is 30 days after the Effective Date and (ii) will be paid in full in such amounts as are Allowed by the Bankruptcy Court (a) on the date upon which the Order relating to any such Allowed Fee Claim is entered, or (b) upon such other terms as may be mutually agreed upon between the holder of such an Allowed Fee Claim and the Plan Administrator. The Plan Administrator is authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Confirmation Date in the ordinary course and without the need for Bankruptcy Court approval.

3. *Priority Tax Claims*

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim will receive, in full satisfaction, settlement, release and discharge of, and in exchange for such Allowed Priority Tax Claim, Cash in an amount equal to such Claim on, or as soon thereafter as is reasonably practicable, the later of the Effective Date, the first Business Day after the date that is 30 calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, and the date such Allowed Priority Tax Claim is due and payable in the ordinary course.

4. *DIP Claims*

To the extent any DIP Claims are outstanding on the Effective Date, the DIP Claims will be Allowed in the full amount due and owing under the DIP Financing Documents and the Final DIP Order. Except to the extent that a holder of a DIP Claim agrees in writing to a different treatment, each holder of a DIP Claim will receive, in full satisfaction, settlement, release and discharge of, and in exchange for such DIP Claim, Cash in an amount equal to such Claim on the Effective Date. Upon the indefeasible payment in full in cash of all DIP Claims, all Liens and security interests granted pursuant to the DIP Credit Agreement will be deemed cancelled and will be of no further force and effect and each Allowed DIP Claim will be deemed to be fully satisfied, settled, released, and compromised. Pursuant to the DIP Financing Documents, all payments pursuant to Section 2.4 of the Plan will be made to the DIP Agent for distribution to the DIP Lenders in accordance with the DIP Financing Documents.

**D. CLASSIFICATION OF CLAIMS AND INTERESTS**

As set forth in Section 3 of the Plan, the classification of Claims and Interests in the Plan will apply separately to each of the Debtors. All of the potential classes for the Debtors are set forth in the Plan. Certain of the Debtors may not have holders of Claims or Interests in a particular Class or Classes; such Classes will be treated as set forth in Section 3.5 of the Plan.

1. *Class 1 – Other Priority Claims*

Class 1 is Unimpaired by the Plan. Each holder of an Other Priority Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and is, therefore, not entitled to vote to accept or reject the Plan.

Except to the extent that a holder of an Allowed Other Priority Claim against any of the Debtors has agreed to less favorable treatment of such Claim, each such holder will receive, in full and final satisfaction of such Claim, Cash in an amount equal to such Claim, payable on the later of the Effective Date and the date on which such Other Priority Claim becomes an Allowed Other Priority

Claim, or as soon as reasonably practical thereafter; *provided, however*, that Other Priority Claims that arise in the ordinary course of the Debtors' business and which are not due and payable on or before the Effective Date will be paid in the ordinary course of business in accordance with the terms thereof.

2. *Class 2 – Other Secured Claims*

Class 2 is Unimpaired by the Plan. Each holder of an Other Secured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and is, therefore, not entitled to vote to accept or reject the Plan.

Except to the extent that a holder of an Allowed Other Secured Claim against any of the Debtors has agreed to less favorable treatment of such Claim, each holder of an Allowed Other Secured Claim will receive, at the option of the Debtors or the Plan Administrator, (i) payment in full in Cash in full and final satisfaction of such Claim, payable on the later of the Effective Date and the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon as reasonably practical thereafter, (ii) delivery of the collateral securing such Allowed Other Secured Claim and payment of any interest required under section 506(b) of the Bankruptcy Code, or (iii) such other treatment necessary to satisfy section 1129 of the Bankruptcy Code; *provided, however*, that Other Secured Claims incurred by the Debtors in the ordinary course of business may be paid in the ordinary course of business in accordance with such applicable terms and conditions relating thereto. Nothing in the Plan will preclude the Debtors or the Plan Administrator, as applicable, from challenging the validity of any alleged Lien or any asset of the Debtors or the value of the property that secures any alleged Lien allegedly securing an Allowed Other Secured Claim.

3. *Class 3 – ABL Claims*

Class 3 is Unimpaired by the Plan. Each holder of an ABL Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and is, therefore, not entitled to vote to accept or reject the Plan.

To the extent any Allowed ABL Claims are outstanding on the Effective Date, each holder of an outstanding Allowed ABL Claim will receive, except to the extent that a holder of an Allowed ABL Claim has agreed to less favorable treatment of such Claim, payment in full in Cash of such holder's Allowed ABL Claim in full and final satisfaction of such Allowed ABL Claim or such other treatment rendering such holders' Allowed ABL Claim Unimpaired.

4. *Class 4 – Term Loan B-2 Claim*

Class 4 is Unimpaired by the Plan. The holder of the Term Loan B-2 Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and is, therefore, not entitled to vote to accept or reject the Plan.

To the extent any amount of the Allowed Term Loan B-2 Claim is outstanding on the Effective Date, the holder of the Allowed Term Loan B-2 Claim will receive, except to the extent that the holder of the Allowed Term Loan B-2 Claim has agreed to less favorable treatment of such Claim, payment in full in Cash of such holder's Allowed Term Loan B-2 Claim in full and final satisfaction of such Allowed Term Loan B-2 Claim or such other treatment rendering such holder's Allowed Term Loan B-2 Claim Unimpaired.

5. *Class 5 – Term Loan B-1 Claim*

Class 5 is Impaired by the Plan. By operation of the Settlement Agreement, the holder of the Term Loan B-1 Claim is deemed to have voted to accept the Plan.

To the extent any amount of the Allowed Term Loan B-1 Claim is outstanding on the Effective Date, the holder of the Allowed Term Loan B-1 Claim will release any Term Loan B-1 Collateral remaining in the Debtors' Estates after the consummation of the Sale Transaction to the Debtors' Estates, and will waive all Liens that the holder of the Allowed Term Loan B-1 Claim possesses on the Term Loan B-1 Collateral. Pursuant to the Settlement Agreement and the Plan, KKR retains the right to vote its Term Loan B-1 Deficiency Claim in Class 6 General Unsecured Claims in favor of the Plan, and pursuant to the Settlement Agreement, is deemed to have voted such Claim in favor of the Plan in Class 6 General Unsecured Claims. Notwithstanding the foregoing, KKR waives and releases its right to a distribution under the Plan on account of such Term Loan B-1 Deficiency Claim. For the avoidance of doubt, under the Plan, any recoveries realized from Causes of Action will be allocated *pro rata* among all Allowed General Unsecured Claims, excluding KKR's Term Loan B-1 Deficiency Claim.

6. *Class 6 – General Unsecured Claims*

Class 6 is Impaired by the Plan. Each holder of a General Unsecured Claim is entitled to vote to accept or reject the Plan.

On the Effective Date, or as soon thereafter as is reasonably practicable, except to the extent that a holder of an Allowed General Unsecured Claim agrees to less favorable treatment of such Allowed General Unsecured Claim or has been paid before the Effective Date, each holder of an Allowed General Unsecured Claim will receive, in full and final satisfaction of such Claim, its Pro Rata share of (i) the General Unsecured Claims Recovery Amount, (ii) the proceeds from any asset sales, settlements of Causes of Action, or investments of Cash executed by the Plan Administrator after the Effective Date in accordance with the authorities granted to the Plan Administrator pursuant to Section 5.2 of the Plan, and (iii) the Creditor Recovery Trust Interests (if the Creditor Recovery Trust is created pursuant to Section 10 of the Plan at the time of such distribution; if the Creditor Recovery Trust is later formed, each holder will receive its Pro Rata share of the Creditor Recovery Trust Interests at such time). In no event will the holder of a General Unsecured Claim receive distributions on account of such Claim in excess of the Allowed amount of such Claim.

7. *Class 7 – Other Equity Interests*

Class 7 is Impaired by the Plan. As proponents of the Plan, the holders of Other Equity Interests in Class 7 are conclusively presumed to accept the Plan.

Other Equity Interests of any Debtor will be cancelled if and when such Debtor is dissolved in accordance with Section 6.2 of the Plan. Each holder of an Other Equity Interest will neither receive nor retain any property of the Estate or direct interest in property of the Estate of the Debtor on account of such Other Equity Interest; *provided* that, in the event that all Allowed Claims against such Debtor have been satisfied in full in accordance with the Bankruptcy Code and the Plan, each holder of an Other Equity Interest in such Debtor may receive its Pro Rata Share of any remaining assets of such Debtor.

8. *Class 8 – Existing Clothesline Holdings Interests*

Class 8 is Impaired by the Plan. Each holder of an Allowed Existing Clothesline Holdings Interest is conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, holders of Existing Clothesline Holdings Interests are not entitled to vote to accept or reject the Plan.

Existing Clothesline Holdings Interests will be cancelled if and when Clothesline Holdings is dissolved in accordance with Section 6.2 of the Plan. Each holder of an Existing Clothesline Holdings Interest will neither receive nor retain any property of the Estate or direct interest in property of the Estate of Clothesline Holdings on account of such Existing Clothesline Holdings Interest; *provided* that, in the event that all Allowed Claims against Clothesline Holdings have been satisfied in full in accordance with the Bankruptcy Code and the Plan, each holder of an Existing Clothesline Holdings Interest may receive its Pro Rata Share of any remaining assets of Clothesline Holdings.

**E. MEANS FOR IMPLEMENTATION**

1. *Joint Chapter 11 Plan*

The Plan is a joint chapter 11 plan for each of the Debtors, with the Plan for each Debtor being non-severable and mutually dependent on the Plan for each other Debtor.

2. *Plan Administrator*

(a) *Appointment.* The Creditors' Committee will appoint the Plan Administrator as the sole officer for each of the Debtors for all purposes and in all respects no later than five days before the Voting Deadline. The Plan Administrator's retention will commence on the Effective Date and will continue until: (i) the Bankruptcy Court enters an order closing the Chapter 11 Cases and the Debtors are dissolved; (ii) the Bankruptcy Court enters an order removing the Plan Administrator for cause (as defined below); or (iii) the Plan Administrator voluntarily resigns, upon notice to the Plan Oversight Committee and filed with the Bankruptcy Court, and the Plan Oversight Committee appoints a successor.

(b) *Authority.* Subject to Section 6 of the Plan, the Plan Administrator will have the authority and right on behalf of each of the Debtors, without the need for Bankruptcy Court approval (unless otherwise indicated), to carry out and implement all provisions of the Plan, including, without limitation, to:

(i) except to the extent Claims have been previously Allowed, control and effectuate the Claims reconciliation process, including to object to, seek to subordinate, compromise or settle any and all Claims against the Debtors;

(ii) make distributions to holders of Allowed Claims (excluding the Term Loan B-1 Deficiency Claim) in accordance with the Plan from the General Unsecured Claims Recovery Amount, net of expenses;

(iii) exercise its reasonable business judgment to direct and control the wind down, liquidation, sale and/or abandoning of the remaining assets of the Debtors under the Plan and in accordance with applicable law as necessary to maximize distributions to holders of Allowed Claims, *provided* that, the wind down, liquidation, sale and/or abandoning of the Creditor Recovery Trust Assets will be under the authority of the Creditor Recovery Trustee in accordance with Section 10.2 of the Plan, but only to the extent the Creditor Recovery Trust is established;

(iv) prosecute all Causes of Action on behalf of the Debtors, elect not to pursue any Causes of Action, and determine whether and when to compromise, settle, abandon, dismiss, or otherwise dispose of any such Causes of Action, as the Plan Administrator may determine is in the best interests of the Debtors; *provided* that, to the extent Causes of Action are transferred to the Creditor Recovery Trust, the Creditor Recovery Trustee will have authority over the resolution of such Causes of Action in accordance with Section 10.2 of the Plan;

(v) make payments to professionals retained by the Debtors as of the Confirmation Date who will continue to perform in their current capacities;

(vi) retain professionals to assist in performing its duties under the Plan;

(vii) maintain the books and records and accounts of the Debtors;

(viii) invest Cash of the Debtors, including any Cash proceeds realized from the liquidation of any assets of the Debtors, including any Causes of Action, and any income earned thereon; *provided* that, to the extent Cash is transferred to the Creditor Recovery Trust, the Creditor Recovery Trustee will have authority to invest such Cash in accordance with Section 10.6 of the Plan;

(ix) incur and pay reasonable and necessary expenses in connection with the performance of duties under the Plan, including the reasonable fees and expenses of professionals retained by the Plan Administrator;

(x) administer each Debtor's tax obligations, including (a) filing tax returns and paying tax obligations, (b) requesting, if necessary, an expedited determination of any unpaid tax liability of each Debtor or its estate under section 505(b) of the Bankruptcy Code for all taxable periods of such Debtor ending after the Commencement Date through the liquidation of such Debtor as determined under applicable tax laws, and (c) representing the interest and account of each Debtor or its estate before any taxing authority in all matters including, without limitation, any action, suit, proceeding or audit;

(xi) prepare and file any and all informational returns, reports, statements, returns or disclosures relating to the Debtors that are required under the Plan, by any Governmental Unit or applicable law;

(xii) determine whether to establish the Creditor Recovery Trust for the assets of the Debtors pursuant to Section 10 of the Plan;

(xiii) if the Creditor Recovery Trust is established, appoint the Creditor Recovery Trustee and transfer the Creditor Recovery Trust Assets to the Creditor Recovery Trust; *provided* that, the Plan Administrator will retain sufficient Cash to pay any professional fees reasonably necessary to wind down the Debtors' Estates in accordance with Section 5.2(b)(ix) of the Plan;

(xiv) pay statutory fees in accordance with Section 14.1 of the Plan; and

(xv) perform other duties and functions that are consistent with the implementation of the Plan.

(c) *Compensation/Reimbursement of Expenses.* The Plan Administrator will record and bill its time spent as Plan Administrator at its normal hourly rate as disclosed in the Plan Supplement. The Plan Administrator will be entitled to reimbursement for reasonable expenses incurred in the course



of rendering services to the Debtors under the Plan, to be paid within 10 days following the delivery of an invoice to the Debtors reasonably describing such expenses.

(d) *Plan Administrator Funding.* On the Effective Date or as soon as reasonably practicable thereafter, the Debtors shall make the General Unsecured Claims Recovery Amount available for use by the Plan Administrator and/or to fund the activities of the Creditor Recovery Trust.

3. *Plan Oversight Committee*

The Creditors' Committee will appoint the Plan Oversight Committee, which will be comprised of three members of the Creditors' Committee, to serve as the initial directors of the Debtors after the Effective Date for all purposes and in all respects no later than five days before the Voting Deadline. The Plan Oversight Committee's retention will commence on the Effective Date and will continue until all payments are made to holders of Allowed Claims under this Plan. In the event of the death or resignation of any member of the Plan Oversight Committee, such committee's remaining members will be entitled to designate a successor member from among the holders of Allowed General Unsecured Claims. If a Plan Oversight Committee member assigns its Claim in full or releases the Debtors from payment of the balance of its Claim, such act will constitute a resignation from the Plan Oversight Committee. Until a vacancy on the Plan Oversight Committee is filled, such committee will function in its reduced number.

Promptly following the establishment of the Plan Oversight Committee, the Plan Oversight Committee will enact bylaws governing its operating procedures and related matters, as deemed appropriate in the Plan Oversight Committee's sole discretion. While decision making authority will reside with the Plan Administrator, the Plan Administrator will meet and/or consult with the Plan Oversight Committee periodically and the Plan Oversight Committee will have standing to seek the removal of the Plan Administrator and appoint his successor for "cause." As used in this Section of the Disclosure Statement and Section 5.3 of the Plan, "cause" means a judicial determination that the Plan Administrator has engaged in actual fraud, gross negligence, or willful misconduct, or has otherwise materially and substantially failed to discharge his duties under the Plan, and such material and substantial failure has continued for 30 days following the Plan Administrator's receipt of written notice specifically asserting such failures. The Plan Administrator may also voluntarily resign, upon notice filed with the Bankruptcy Court and served upon the Plan Oversight Committee; *provided, however*, that no voluntary resignation by the Plan Administrator will be effective until a successor has been appointed by the Plan Oversight Committee. If the Plan Administrator is removed for cause, voluntarily resigns, or is otherwise unable to serve, the Plan Oversight Committee will, upon notice filed with the Bankruptcy Court, appoint a qualified individual to replace the Plan Administrator.

Members of the Plan Oversight Committee will be entitled to reimbursement of reasonable and necessary expenses incurred in carrying out their duties as members of the Plan Oversight Committee, all of which will be paid from the General Unsecured Claims Recovery Amount. Following all payments being made to holders of Allowed Claims under this Plan, the Plan Oversight Committee will be dissolved and the members thereof will be released from any and all further authority, duties, responsibilities, and obligations related to their service as Plan Oversight Committee members.

4. *No Liability*

The Plan Administrator, the Plan Oversight Committee, the Plan Oversight Committee's members, and their respective employees, professionals, agents, and representatives will not be liable for the act or omission of any other member, employee, professional, agent, or representative of the Plan Administrator or the Plan Oversight Committee, nor will they be liable for any act or omission taken or

omitted to be taken in their respective capacities, other than acts or omissions constituting actual fraud, gross negligence, or willful misconduct. The Plan Administrator and Plan Oversight Committee will be entitled to consult with attorneys, accountants, financial advisors, and other agents and representatives, and will not be liable for any act taken or omitted to be taken in accordance with advice rendered by such entities. Notwithstanding the foregoing, the Plan Administrator and Plan Oversight Committee will not be under any obligation to consult with attorneys, accountants, financial advisors, or other agents or representatives, and their determination not to do so will not result in the imposition of liability, unless such determination constitutes actual fraud, gross negligence, or willful misconduct.

5. *Indemnification*

The Debtors and their Estates, to the extent still in existence, will indemnify and hold harmless the Plan Administrator, the Plan Oversight Committee, the Plan Oversight Committee's members, and their respective employees, professionals, agents, and representatives, in each case in their capacity as such, from and against any and all liabilities, losses, damages, claims, costs, and expenses, including, but not limited to, attorneys' fees and expenses, arising out of or due to their acts or omissions related to the performance of their duties under this Plan; provided, however, that no such indemnification will be made to such entities for such acts or omissions constituting actual fraud, gross negligence, or willful misconduct.

6. *Other Transactions*

In the discretion of the Debtors and the Plan Administrator, after the Effective Date, the Debtors and the Plan Administrator may (i) cause any or all of the Debtors to be liquidated or merged into one or more of the other Debtors or dissolved all as more specifically described in the Plan Supplement, (ii) cause the transfer of assets between or among the Debtors, (iii) engage in any other transaction in furtherance of the Plan. Any such transactions may be effective as of the Effective Date pursuant to the Confirmation Order without any further action by the stockholders or directors of any of the Debtors.

7. *Corporate Action*

Upon the Effective Date, by virtue of the solicitation of votes in favor of the Plan and entry of the Confirmation Order, all actions contemplated by the Plan (including any action to be undertaken by the Plan Administrator) will be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by holders of Claims or Interests, the Debtors, or any other Entity or Person. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the Debtors in connection therewith, will be deemed to have occurred and will be in effect, without any requirement of further action by the Debtors or the Estates.

8. *Withholding and Reporting Requirements*

(a) *Withholding Rights.* In connection with the Plan, any party issuing any instrument or making any distribution described in the Plan will comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions pursuant to the Plan and all related agreements will be subject to any such withholding or reporting requirements. Notwithstanding the foregoing, each holder of an Allowed Claim or any other Person that receives a distribution pursuant to the Plan will have responsibility for any taxes imposed by any Governmental Unit, including, without limitation, income, withholding, and other taxes, on account of such distribution. Any party issuing any instrument or making any distribution pursuant to the Plan has

the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

(b) *Forms.* Any party entitled to receive any property as an issuance or distribution under the Plan will, upon request, deliver to the Plan Administrator or such other Person designated by the Plan Administrator (which entity will subsequently deliver to the Plan Administrator or such other Person any applicable IRS Form W-8 or Form W-9 received) an appropriate Form W-9 or (if the payee is a foreign Person) Form W-8, unless such Person is exempt under the tax code and so notifies the Plan Administrator or such other Person. If such request is made by the Plan Administrator or such other Person designated by the Plan Administrator and the holder fails to comply before the date that is 180 days after the request is made, the amount of such distribution will irrevocably revert to the Debtors and any Claim in respect of such distribution will be discharged and forever barred from assertion against any Debtor and its respective property.

9. *Deemed Substantive Consolidation*

The Plan will serve as a motion by the Debtors seeking entry of a Bankruptcy Court order deeming the substantive consolidation of the Debtors' Estates into a single Estate for certain limited purposes related to the Plan, including voting, confirmation, and distribution. As a result of the deemed substantive consolidation of the Estates, each Class of Claims and Interests will be treated as against a single consolidated Estate without regard to the separate legal existence of the Debtors. The Plan will not result in the merger or otherwise affect the separate legal existence of each Debtor, other than with respect to voting and distribution rights under the Plan, and otherwise in satisfying the applicable requirements of section 1129 of the Bankruptcy Code.

**F. CORPORATE GOVERNANCE**

1. *Corporate Form*

On the Effective Date, each of the Debtors will maintain its current corporate form.

2. *Corporate Existence*

After the Effective Date, the Plan Administrator may decide to (i) maintain each Debtor as a corporation in good standing until such time as all aspects of the Plan pertaining to such Debtor have been completed, or (ii) at such time as the Plan Administrator considers appropriate and consistent with the implementation of the Plan pertaining to such Debtor dissolve such Debtor (including the cancellation of all Interests in the Debtor pursuant to the Confirmation Order) and complete the winding up of such Debtor without the necessity for any other or further actions to be taken by or on behalf of such dissolving Debtor or its shareholders or any payments to be made in connection therewith subject to the filing of a certificate of dissolution with the appropriate governmental authorities (including, without limitation, the transfer of all or part of the assets of such Debtor to the Creditor Recovery Trust in accordance with Section 10 of the Plan, but only to the extent the Creditor Recovery Trust is established); *provided, however*, that the foregoing does not limit the Plan Administrator's ability to otherwise abandon an interest in a Debtor Affiliate.

3. *Wind Down*

After the Effective Date, pursuant to the Plan, the Plan Administrator will wind-down, sell and otherwise liquidate assets of the Debtors in accordance with Section 5.2(b)(iii) of the Plan. The wind-down, sale and liquidation of the Debtor's assets (as determined for federal income tax purposes)

will occur over a period of no more than three years after the Effective Date (it being understood that such liquidation may include the transfer of all or part of the assets of such Debtor to the Creditor Recovery Trust within the meaning of Treas. Reg. § 301.7701-4 and in accordance with Section 10 of the Plan); *provided* that, the wind-down and liquidation may extend over a longer period of time if the Debtors receive a private letter ruling or other equivalent guidance from the IRS from which the Plan Administrator reasonably concludes that the continued wind-down and liquidation should not result in a reduction or limitation of the Debtors' tax attributes for federal income tax purposes that materially impairs the expected actual use of such tax attributes.

## **G. DISTRIBUTIONS**

### **1. *Distribution Record Date***

As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors or their respective agents, will be deemed closed, and there will be no further changes in the record of holders of any of the Claims or Interests. The Debtors or the Plan Administrator will have no obligation to recognize any transfer of the Claims or Interests occurring on or after the Distribution Record Date.

### **2. *Date of Distributions***

Except as otherwise provided in the Plan, the Debtors will make the Initial Distribution to holders of Allowed Claims no later than the Initial Distribution Date and thereafter, the Debtors will from time to time determine the subsequent Distribution Dates. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but will be deemed to have been completed as of the required date.

The Plan Administrator will reserve an amount sufficient to pay holders of Disputed Claims the amount such holders would be entitled to receive under the Plan if such Claims were to become Allowed Claims. In the event the holders of Allowed Claims have not received payment in full on account of their Claims after the resolution of all Disputed Claims, then the Plan Administrator will make a final distribution to all holders of Allowed Claims.

Notwithstanding anything to the contrary in the Plan, no holder of an Allowed Claim will, on account of such Allowed Claim, receive a distribution in excess of the Allowed amount of such Claim plus any interest accruing on such Claim that is actually payable in accordance with the Plan.

### **3. *Delivery of Distributions***

In the event that any distribution to any holder is returned as undeliverable, no distribution to such holder will be made unless and until the Debtors or the Plan Administrator, as applicable, has determined the then current address of such holder, at which time such distribution will be made to such holder without interest; *provided* that, such distributions will be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of six months from the date the Initial Distribution is made. After such date, all unclaimed property or interests in property will revert (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary) to the Debtors automatically and without need for a further order by the Bankruptcy Court for distribution in accordance with the Plan and the Claim of any such holder to such property or interest in property will be released, settled, compromised, and forever barred.

4. *Allocation of Distributions Between Principal and Interest*

Except as otherwise provided in the Plan, to the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution will be allocated to the principal amount (as determined for U.S. federal income tax purposes) of the Claim first, and then to accrued but unpaid interest.

5. *Payment of Disputed Claims*

As Disputed Claims are resolved pursuant to Section 8 of the Plan, the Plan Administrator will make distributions on account of such Disputed Claims as if such Disputed Claims were Allowed Claims as of the Effective Date. Such distributions will be made on the first Distribution Date that is at least 45 days after the date on which a Disputed Claim becomes an Allowed Claim, or on an earlier date selected by the Plan Administrator in the Plan Administrator's sole discretion.

**H. PROCEDURES FOR DISPUTED CLAIMS**

1. *Allowance of Claims*

After the Effective Date, the Debtors or the Plan Administrator will have and will retain any and all rights and defenses that the Debtors had with respect to any Claim, except with respect to any Claim deemed Allowed under the Plan. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including, without limitation, the Confirmation Order), no Claim will become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including, without limitation, the Confirmation Order, in the Chapter 11 Cases allowing such Claim.

2. *Objections to Claims*

As of the Effective Date, objections to, and requests for estimation of, Claims against the Debtors may be interposed and prosecuted only by the Plan Administrator. Such objections and requests for estimation will be served and filed (i) on or before the 120th day following the later of (a) the Effective Date and (b) the date that a proof of Claim is filed or amended or a Claim is otherwise asserted or amended in writing by or on behalf of a holder of such Claim or (ii) such later date as ordered by the Bankruptcy Court upon motion filed by the Plan Administrator.

3. *Estimation of Claims*

The Plan Administrator may at any time request that the Bankruptcy Court estimate any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or Plan Administrator previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors or Plan Administrator, as applicable, may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be

estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

4. *No Distributions Pending Allowance*

If an objection to a Claim is filed as set forth in Section 8 of the Plan, no payment or distribution provided under the Plan will be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

5. *Resolution of Claims*

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Plan Administrator will retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all Claims, Disputed Claims, rights, Causes of Action, suits and proceedings, whether in law or in equity, whether known or unknown, that the Debtors or their estates may hold against any Person, without the approval of the Bankruptcy Court, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection with the Plan. The Plan Administrator or its successor may pursue such retained Claims, rights, Causes of Action, suits or proceedings, as appropriate, in accordance with the best interests of the Debtors.

6. *Disallowed Claims*

All Claims held by persons or entities against whom or which any of the Debtors or the Plan Administrator has commenced a proceeding asserting a Cause of Action under sections 542, 543, 544, 545, 547, 548, 549 and/or 550 of the Bankruptcy Code will be deemed “disallowed” Claims pursuant to section 502(d) of the Bankruptcy Code and holders of such Claims will not be entitled to vote to accept or reject the Plan. Claims that are deemed disallowed pursuant to Section 8.6 of the Plan will continue to be disallowed for all purposes until the Avoidance Action against such party has been settled or resolved by Final Order and any sums due to the Debtors or the Plan Administrator from such party have been paid.

**I. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

1. *Assumption and Assignment of Executory Contracts and Unexpired Leases*

On the Effective Date, except as otherwise provided in the Plan, each Executory Contract and Unexpired Lease not previously rejected, assumed, or assumed and assigned will be deemed automatically rejected pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such Executory Contract or Unexpired Lease: (i) is specifically designated on the Schedule of Assumed Contracts and Leases filed with the Plan Supplement; (ii) as of the Effective Date is subject to a pending motion to assume such Unexpired Lease or Executory Contract; (iii) was previously assumed or assumed and assigned to a third party during the pendency of the Chapter 11 Cases; (iv) is a contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan; or (v) is a D&O Policy.

2. *Cure of Defaults for Assumed Executory Contracts and Unexpired Leases*

Any Cure Obligation due under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by

payment in Cash on the Effective Date, subject to the limitation described below, by the Debtors as an Administrative Expense Claim or by the Purchaser in accordance with the Purchase Agreement, as applicable, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (i) the amount of the Cure Obligation, (ii) the ability of the Estates or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (iii) any other matter pertaining to assumption, the Cure Obligations required by section 365(b)(1) of the Bankruptcy Code will be satisfied following the entry of a Final Order or orders resolving the dispute and approving the assumption; *provided* that, depending on whether the Plan Administrator or the Purchaser has the obligation to pay the Cure Obligation, such party may settle any dispute regarding the amount of any Cure Obligation without any further notice to any party or any action, order, or approval of the Bankruptcy Court.

At least 14 days before the Confirmation Hearing, the Debtors will cause notice of proposed Cure Obligations to be sent to applicable counterparties to the Executory Contracts and Unexpired Leases. Any objection by such counterparty must be filed, served, and actually received by the Debtors not later than 10 days after service of notice of the Debtors’ proposed assumption and associated Cure Obligation. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed cure amount will be deemed to have assented to such Cure Obligation.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan, or otherwise, will result in the full release and satisfaction of any Claims or defaults, subject to satisfaction of the Cure Obligations, 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 before the Effective Date of assumption and/or assignment. **Any prepetition default amount set forth in the Schedules and/or any Proofs of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed and assigned will be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.**

### *3. Claims Based on Rejection of Executory Contracts and Unexpired Leases*

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim based on the rejection of the Debtors’ Executory Contracts or Unexpired Leases pursuant to the Plan or otherwise, must be filed with Bankruptcy Court and served on the Plan Administrator no later than 14 days after the effective date of rejection of such Executory Contract or Unexpired Lease. In addition, any objection to the rejection of an Executory Contract or Unexpired Lease must be filed with the Bankruptcy Court and served on the Debtors, no later than 14 days after notice of the Debtors’ proposed rejection of such Executory Contract or Unexpired Lease.

**Any holders of Claims arising from the rejection of an Executory Contract or Unexpired Lease for which Proofs of Claims were not timely filed as set forth in the paragraph above will not (i) be treated as a creditor with respect to such Claim, (ii) be permitted to vote to accept or reject the Plan on account of any Claim arising from such rejection, or (iii) participate in any distribution in the Chapter 11 Cases on account of such Claim, and any Claims arising from the rejection of an Executory Contract or Unexpired Lease not filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and will not be enforceable against the Debtors, the Plan Administrator, the Estates, or the property for any of the foregoing without the need for any objection by the Plan Administrator or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease will be deemed fully compromised,**

**settled, and released, notwithstanding anything in the Schedules or a Proof of Claim to the contrary.** All Allowed Claims arising from the rejection of the Debtors' prepetition Executory Contracts or prepetition Unexpired Leases will be classified as General Unsecured Claims, except as otherwise provided by order of the Bankruptcy Court.

4. *Insurance Policies*

(a) Each insurance policy, including the D&O Policy, to which the Debtors are a party as of the Effective Date, will be deemed executory and will be assumed by the Debtors on behalf of the applicable Debtor effective as of the Effective Date, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such insurance policy previously was assumed and assigned to the Purchaser, was rejected by the Debtors pursuant to a Bankruptcy Court order, or is the subject of a motion to reject pending on the Effective Date, and coverage for defense and indemnity under the D&O Policy will remain available to all individuals within the definition of "Insured" in the D&O Policy.

(b) In addition, after the Effective Date, all officers, directors, agents, or employees who served in such capacity at any time before the Effective Date will be entitled to the full benefits of any D&O Policy (including any "tail" policy) in effect or purchased as of the Commencement Date for the full term of such policy regardless of whether such officers, directors, agents, and/or employees remain in such positions after the Effective Date, in each case, to the extent set forth in such policies.

5. *Survival of Debtors' Indemnification Obligations*

To the fullest extent permitted by applicable law, any obligations of the Debtors pursuant to their corporate charters, by-laws, limited liability company agreements, memorandum and articles of association, or other organizational documents and agreements to indemnify current and former officers, directors, agents, or employees with respect to all present and future actions, suits, and proceedings against the Debtors or such officers, directors, agents, or employees based upon any act or omission for or on behalf of the Debtors will not be discharged, impaired, or otherwise affected by the Plan; *provided* that, the Debtors will not indemnify officers, directors, agents, or employees of the Debtors for any claims or Causes of Action arising out of or relating to any act or omission that is a criminal act, unless such officer, director, agent, or employee had no reasonable cause to believe its conduct was unlawful, or for any other acts or omissions that are excluded under the terms of the foregoing organizational documents. All such obligations will be deemed and treated as executory contracts to be assumed by the Debtors under the Plan unless such obligation previously was assumed and assigned to the Purchaser, was rejected by the Debtors pursuant to a Bankruptcy Court order, or is the subject of a motion to reject pending on the Effective Date.

**J. CREDITOR RECOVERY TRUST**

1. *Execution of Creditor Recovery Trust Agreement*

After the Effective Date, and only if the Plan Administrator determines that the Creditor Recovery Trust is in the best interests of one or more Debtors and holders of Allowed General Unsecured Claims, the Plan Administrator and the Creditor Recovery Trustee appointed by the Plan Administrator will execute the Creditor Recovery Trust Agreement, and will take all other necessary steps to establish the Creditor Recovery Trust and Creditor Recovery Trust Interests therein, which will be for the benefit of Creditor Recovery Trust Beneficiaries. In the event of any conflict between the terms of Section 10 of the Plan and the terms of the Creditor Recovery Trust Agreement as such conflict relates to the establishment of the Creditor Recovery Trust, the terms of Section 10 of the Plan will govern. The Creditor Recovery Trust Agreement may provide powers, duties and authorities in addition to those



explicitly stated in the Plan, but only to the extent that such powers, duties, and authorities do not affect the status of the Creditor Recovery Trust as a “liquidating trust” for United States federal income tax purposes.

2. *Purpose of Creditor Recovery Trust*

The Creditor Recovery Trust will be established for the sole purpose of liquidating and distributing the assets of the Debtor contributed to such Creditor Recovery Trust in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The Creditor Recovery Trustee will exercise its reasonable business judgment to direct and control the wind down, liquidation, sale and/or abandoning of the Creditor Recovery Trust Assets in accordance with applicable law as necessary to maximize distributions to Creditor Recovery Trust Beneficiaries. The Creditor Recovery Trustee will also prosecute all Causes of Action transferred to the Creditor Recovery Trust, elect not to pursue any such Causes of Action, and determine whether and when to compromise, settle, abandon, dismiss, or otherwise dispose of any such Causes of Action, as the Creditor Recovery Trustee may determine is in the best interests of the Creditor Recovery Trust Beneficiaries.

3. *Creditor Recovery Trust Assets*

The Creditor Recovery Trust will consist of Creditor Recovery Trust Assets. After the creation of the Creditor Recovery Trust pursuant to Section 10 of the Plan, the Plan Administrator will transfer all of the allocable Creditor Recovery Trust Assets to the Creditor Recovery Trust. Creditor Recovery Trust Assets may be transferred subject to certain liabilities, as provided in the Creditor Recovery Trust Agreement. Such transfer will be exempt from any stamp, real estate transfer, mortgage reporting or other similar tax to which the exemption under section 1146 of the Bankruptcy Code applies.

4. *Administration of Creditor Recovery Trust*

The Creditor Recovery Trust will be administered by the Creditor Recovery Trustee pursuant to the Creditor Recovery Trust Agreement and the Plan. In the event of an inconsistency between the Plan and the Creditor Recovery Trust Agreement as such conflict relates to anything other than the establishment of the Creditor Recovery Trust, the Creditor Recovery Trust Agreement will control.

5. *Creditor Recovery Trustee's Tax Power for Debtors*

(a) The Creditor Recovery Trustee of the Creditor Recovery Trust will be designated as the representative of the respective Debtor all of the remaining assets of which are transferred to such Creditor Recovery Trust in accordance with section 1123(b)(6) of the Bankruptcy Code, and will have the same authority in respect of all taxes of the Debtor, and to the same extent, as if the Creditor Recovery Trustee were a trustee of the Debtor under section 1106 of the Bankruptcy Code. Accordingly, subject to the Creditor Recovery Trust Agreement, the Creditor Recovery Trustee will prepare and file (or cause to be prepared and filed) on behalf of such Debtor, all tax returns, reports, certificates, forms, or similar statements or documents (collectively, “**Tax Returns**”) required to be filed by such Debtor or that the Creditor Recovery Trustee otherwise deems appropriate, including the filing of amended Tax Returns or requests for refunds, for all taxable periods ending on, prior to, or after the Effective Date (to the extent otherwise permitted by applicable law).

(b) Each of the Debtors and the Creditor Recovery Trustee will cooperate fully with each other regarding the implementation of Section 10.5 of the Plan (including the execution of

appropriate powers of attorney) and will make available to the other as reasonably requested all information, records, and documents relating to taxes governed by Section 10.5 of the Plan until the expiration of the applicable statute of limitations or extension thereof or at the conclusion of all audits, appeals, or litigation with respect to such taxes. Without limiting the generality of the foregoing, the applicable Debtor will execute on or prior to the transfer of its remaining assets to the Creditor Recovery Trust a power of attorney authorizing the Creditor Recovery Trustee to correspond, sign, collect, negotiate, settle, and administer tax payments and Tax Returns for the taxable periods described in Section 10.5(a) of the Plan.

(c) The Debtors and the Creditor Recovery Trustee on behalf of the Debtor for whom it is the designated representative under Section 10.5(a) of the Plan will have the right to request an expedited determination of the tax liability, if any, under section 505(b) of the Bankruptcy Code with respect to any tax returns filed, or to be filed, for any and all taxable periods ending after the Commencement Date through the liquidation of such Debtor.

6. *Cash Investments*

The Creditor Recovery Trustee may invest Cash (including any earnings thereon or proceeds therefrom) transferred to the Creditor Recovery Trust; *provided* that, such investments are investments permitted to be made by a “liquidating trust” within the meaning of Treas. Reg. § 301.7701-4(d), as reflected therein, or under applicable IRS guidelines, rulings or other controlling authorities.

7. *Distribution of Creditor Recovery Trust Interests*

The Creditor Recovery Trustee is required to distribute to the holders of Creditor Recovery Trust Interests, on a semi-annual basis, all Available Cash (including any Cash received from the Debtors and treating any permissible investment as Cash for purposes of Section 10.7 of the Plan), less such amounts that may be reasonably necessary to (i) meet contingent liabilities and to maintain the value of the Creditor Recovery Trust Assets during liquidation, (ii) pay reasonably incurred or anticipated expenses (including, without limitation, any taxes imposed on or payable by the Debtors or Creditor Recovery Trust or in respect of the Creditor Recovery Trust Assets), or (iii) satisfy other liabilities incurred or anticipated by such Creditor Recovery Trust in accordance with the Plan or Creditor Recovery Trust Agreement; *provided* that, such Creditor Recovery Trustee will not be required to make a distribution pursuant to Section 10.7 of the Plan if such Creditor Recovery Trustee determines that the expense associated with making the distribution would likely utilize a substantial portion of the amount to be distributed, thus making the distribution impracticable.

8. *Federal Income Tax Treatment of Creditor Recovery Trust*

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt of an adverse determination by the IRS upon audit if not contested by such Creditor Recovery Trustee), for all United States federal income tax purposes, all parties (including, without limitation, the Debtors, the Creditor Recovery Trustee and Creditor Recovery Trust Beneficiaries) will treat the transfer of Creditor Recovery Trust Assets to the Creditor Recovery Trust as (i) a transfer of Creditor Recovery Trust Assets (subject to any obligations relating to those assets) directly to Creditor Recovery Trust Beneficiaries (other than to the extent Creditor Recovery Trust Assets are allocable to Disputed Claims), followed by (ii) the transfer by such beneficiaries to the Creditor Recovery Trust of Creditor Recovery Trust Assets in exchange for the related Creditor Recovery Trust Interests. Accordingly, except in the event of contrary definitive guidance, Creditor Recovery Trust Beneficiaries will be treated for United States federal income tax purposes as the grantors and owners of their respective share of Creditor Recovery Trust Assets (other than such Creditor Recovery Trust Assets as are

allocable to Disputed Claims). The foregoing treatment will also apply, to the extent permitted by applicable law, for state and local income tax purposes. For the purpose of Section 10.8 of the Plan, the terms “party” and “Creditor Recovery Trust Beneficiary” will not include the United States or any agency or department thereof, or any officer or employee thereof acting in such capacity.

9. *Tax Reporting*

(a) The Creditor Recovery Trustee will file tax returns for the Creditor Recovery Trust treating such Creditor Recovery Trust as a grantor trust pursuant to Treas. Reg. § 1.671-4(a) and in accordance with Section 10.9 of the Plan. The Creditor Recovery Trustee also will annually send to each holder of a Creditor Recovery Trust Interest a separate statement regarding the receipts and expenditures of the Creditor Recovery Trust as relevant for U.S. federal income tax purposes.

(b) Allocations of Creditor Recovery Trust taxable income among Creditor Recovery Trust Beneficiaries (other than taxable income allocable to any assets allocable to, or retained on account of, Disputed Claims, if such income is otherwise taxable at the Creditor Recovery Trust) will be determined by reference to the manner in which an amount of Cash representing such taxable income would be distributed (were such Cash permitted to be distributed at such time) if, immediately prior to such deemed Distribution, the Creditor Recovery Trust had distributed all its assets (valued at their tax book value, other than, if applicable, assets allocable to Disputed Claims) to the holders of Creditor Recovery Trust Interests, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Creditor Recovery Trust. Similarly, taxable loss of the Creditor Recovery Trust will be allocated by reference to the manner in which an economic loss would be borne immediately after a hypothetical liquidating distribution of the remaining Creditor Recovery Trust Assets. The tax book value of Creditor Recovery Trust Assets for purpose of this paragraph will equal their fair market value on the date Creditor Recovery Trust Assets are transferred to the Creditor Recovery Trust, adjusted in accordance with tax accounting principles prescribed by the IRC, the applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

(c) As soon as reasonably practicable after Creditor Recovery Trust Assets are transferred to the Creditor Recovery Trust, the Creditor Recovery Trustee will make a good faith valuation of Creditor Recovery Trust Assets. Such valuation will be made available from time to time to all parties to the Creditor Recovery Trust (including, without limitation, the Debtors and Creditor Recovery Trust Beneficiaries), to the extent relevant to such parties for tax purposes, and will be used consistently by such parties for all United States federal income tax purposes.

(d) Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Creditor Recovery Trustee of a private letter ruling if such Creditor Recovery Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by such Creditor Recovery Trustee), such Creditor Recovery Trustee (i) may timely elect to treat any Creditor Recovery Trust Assets allocable to Disputed Claims as a “disputed ownership fund” governed by Treas. Reg. § 1.468B-9, and (ii) to the extent permitted by applicable law, will report consistently for state and local income tax purposes. If a “disputed ownership fund” election is made, all parties (including such Creditor Recovery Trustee, the Debtors and Creditor Recovery Trust Beneficiaries) will report for United States federal, state and local income tax purposes consistently with the foregoing.

(e) The Creditor Recovery Trustee will be responsible for payment, out of the respective Creditor Recovery Trust Assets, of any taxes imposed on the respective Creditor Recovery Trust or its assets.

(f) The Creditor Recovery Trustee may request an expedited determination of taxes of the Creditor Recovery Trust, including any reserve for Disputed Claims, or of the Debtor as to whom the Creditor Recovery Trust was established, under section 505(b) of the Bankruptcy Code for all tax returns filed for, or on behalf of, such Creditor Recovery Trust or the Debtor for all taxable periods through the dissolution of such Creditor Recovery Trust.

10. *Costs and Expenses of Creditor Recovery Trust*

As more fully set forth in and subject to the Creditor Recovery Trust Agreement, the costs and expenses of the Creditor Recovery Trust, including, without limitation, the reasonable fees and expenses of the Creditor Recovery Trustee and its retained professionals, and the fees and expenses incurred in connection with the prosecution and settlement of any Causes of Action, will be paid out of the Creditor Recovery Trust Assets.

11. *Dissolution*

(a) The Creditor Recovery Trustee and Creditor Recovery Trust will be discharged or dissolved, as the case may be, at such time as (i) all of the Creditor Recovery Trust Assets have been distributed pursuant to the Plan and the Creditor Recovery Trust Agreement, (ii) the Creditor Recovery Trustee determines, in its sole discretion, that the administration of any remaining Creditor Recovery Trust Assets is not likely to yield sufficient additional Creditor Recovery Trust proceeds to justify further pursuit, or (iii) all distributions required to be made by the Creditor Recovery Trustee under the Plan and the Creditor Recovery Trust Agreement have been made; *provided* that, in no event will the Creditor Recovery Trust be dissolved later than three years from the creation of such Creditor Recovery Trust pursuant to Section 10 of the Plan unless the Bankruptcy Court, upon motion within the six-month period prior to the Creditor Recovery Trust's third anniversary (or within the six-month period prior to the end of an extension period), determines that a fixed period extension (not to exceed three years, together with any prior extensions, without a favorable private letter ruling from the IRS or an opinion of counsel satisfactory to the Creditor Recovery Trustee that any further extension would not adversely affect the status of the trust as a liquidating trust for United States federal income tax purposes) is necessary to facilitate or complete the recovery and liquidation of the Creditor Recovery Trust Assets.

(b) If at any time the Creditor Recovery Trustee determines, in reliance upon such professionals as the Creditor Recovery Trustee may retain, that the expense of administering the Creditor Recovery Trust so as to make a final distribution to Creditor Recovery Trust Beneficiaries is likely to exceed the value of the assets remaining in such Creditor Recovery Trust, such Creditor Recovery Trustee may apply to the Bankruptcy Court for authority to (i) reserve any amount necessary to dissolve such Creditor Recovery Trust, (ii) donate any balance to a charitable organization (a) described in section 501(c)(3) of the IRC, (b) exempt from United States federal income tax under section 501(a) of the IRC, (c) not a "private foundation", as defined in section 509(a) of the IRC, and (d) that is unrelated to the Debtors, such Creditor Recovery Trust, and any insider of such Creditor Recovery Trustee, and (iii) dissolve such Creditor Recovery Trust.

**K. CONDITIONS PRECEDENT TO EFFECTIVE DATE**

1. *Conditions Precedent to Effective Date*

The occurrence of the Effective Date of the Plan is subject to the following conditions precedent:

(a) the Bankruptcy Court will have entered an Order approving the Settlement Agreement under Bankruptcy Rule 9019;

(b) the Bankruptcy Court will have entered the Confirmation Order, the Confirmation Date will have occurred and the Confirmation Order will not be subject to any stay;

(c) the Sale Transaction has been consummated;

(d) all actions, documents and agreements necessary to implement and consummate the Plan, including, without limitation, entry into the documents contained in the Plan Supplement, and the transactions and other matters contemplated thereby, will have been effected or executed;

(e) all governmental and third party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Plan will have been obtained, not be subject to unfulfilled conditions and be in full force and effect, and all applicable waiting periods will have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose materially adverse conditions on such transactions; and

(f) all documents and agreements necessary to implement the Plan will have (i) been tendered for delivery and (ii) been effected or executed by all Entities party thereto, and all conditions precedent to the effectiveness of such documents and agreements will have been satisfied or waived pursuant to the terms of such documents or agreements.

2. *Waiver of Conditions Precedent*

Each of the conditions precedent in Section K.1 above other than the condition set forth in Section K.1(a) above may be waived in writing by the Debtors.

3. *Effect of Failure of Conditions to Effective Date*

Unless otherwise extended by the Debtors, if the Effective Date does not occur on or before September 30, 2017 or if the Confirmation Order is vacated, (i) no distributions under the Plan will be made, (ii) the Debtors and all holders of Claims and Interests will be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (iii) all the Debtors' obligations with respect to the Claims and the Interests will remain unchanged and nothing contained in the Plan will be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other entity or to prejudice in any manner the rights of the Debtors or any other entity in any further proceedings involving the Debtors or otherwise.

**L. EFFECT OF CONFIRMATION**

1. *Vesting of Assets*

On the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Estates will vest in the Debtors free and clear of all Claims, liens, encumbrances, charges and other interests, except as provided pursuant to the Plan and the Confirmation Order.

2. *Release of Liens*

Except as otherwise provided in the Plan 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 will be fully released, settled, and compromised and all rights, titles, and interests of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates will revert to the Debtors.

3. *Subordinated Claims*

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

4. *Binding Effect*

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

5. *Discharge of Claims and Termination of Interests*

Except as otherwise provided in the Plan, effective as of the Effective Date: (i) the rights afforded in the Plan and the treatment of all Claims and Interests will be in exchange for and in complete satisfaction, discharge and release of all Claims and Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors or any of their assets, property or Estates; (ii) all Claims and Interests will be satisfied, discharged and released in full, and the Debtors' liability with respect thereto will be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (iii) all Entities will be precluded from asserting against the Debtors, the Estates, the Plan Administrator, their successors and assigns and their assets and properties any other Claims or Interests based upon any documents, instruments or any act or omission, transaction or other activity of any kind or nature that occurred before the Effective Date.

6. *Term of Injunctions or Stays*

Unless otherwise provided, all injunctions or stays arising under or entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, will remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

7. *Reservation of Causes of Action/Reservation of Rights*

(a) Except as provided in Sections 12.9 and 12.11 of the Plan, nothing contained in the Plan (including in Section 7.6 of the Plan) or the Confirmation Order will be deemed to be a waiver or the relinquishment of any rights or Causes of Action of the Debtors or the Debtors' Estates under any provision of the Bankruptcy Code or any applicable non-bankruptcy law, including, without limitation, (i) any and all Claims against any Person, to the extent such Person asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtors, the Creditor Recovery Trust, or

the Debtors' officers, directors, or representatives and (ii) the turnover of any property of the Debtors' Estates.

(b) Except as set forth in Sections 12.9 and 12.11 of the Plan, nothing contained in the Plan or the Confirmation Order will be deemed to be a waiver or relinquishment of any Claim or Cause of Action, which the Debtors or the Debtors' Estates had immediately prior to the Effective Date. The Creditor Recovery Trust, to the extent established, will retain, reserve, and be entitled to assert all Claims and Causes of Action, and all of the legal and equitable rights of the Debtors or the Debtors' Estates respecting any Claim left Unimpaired by the Plan that may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced.

8. *Causes of Action/Avoidance Actions/Objections*

Other than any releases granted in the Plan, in the Confirmation Order or in a Final Order of the Bankruptcy Court from and after the Effective Date, the Plan Administrator or Creditor Recovery Trustee, to the extent the Creditor Recovery Trust is established, will have the right to prosecute any and all Causes of Action and objections to Claims under sections 105, 502, 510, 542 through 551, and 553 of the Bankruptcy Code or other applicable law that belong to the Debtors or the Debtors' Estates.

9. *Releases by Debtors*

**EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS PLAN OR THE CONFIRMATION ORDER, AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, THE RELEASED PARTIES ARE DEEMED RELEASED AND DISCHARGED BY THE DEBTORS, THEIR ESTATES AND ANY PERSON OR ENTITY SEEKING TO EXERCISE THE RIGHTS OF THE DEBTORS OR THEIR ESTATES AND THEIR RESPECTIVE PROPERTY (AND EACH SUCH RELEASED PARTY WILL BE DEEMED RELEASED BY EACH DEBTOR AND ITS ESTATE AND THEIR RESPECTIVE PROPERTY) FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, REMEDIES, CAUSES OF ACTION, RIGHTS OF SETOFF, OTHER RIGHTS, AND LIABILITIES WHATSOEVER, WHETHER FOR TORT, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS, AVOIDANCE ACTIONS, INCLUDING ANY DERIVATIVE CLAIMS, ASSERTED OR THAT COULD POSSIBLY HAVE BEEN ASSERTED DIRECTLY OR INDIRECTLY, WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, AND ANY AND ALL CAUSES OF ACTION ASSERTED OR THAT COULD POSSIBLY HAVE BEEN ASSERTED, BASED ON OR IN ANY WAY RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THEIR ESTATES OR THEIR AFFILIATES, THE CONDUCT OF THE DEBTORS' BUSINESSES, THE FORMULATION, PREPARATION, SOLICITATION, DISSEMINATION, NEGOTIATION, OR FILING OF THE DISCLOSURE STATEMENT OR PLAN OR ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH OR PURSUANT TO THE DISCLOSURE STATEMENT, THIS PLAN, THE FILING AND PROSECUTION OF THE CHAPTER 11 CASES, THE PURSUIT OF CONSUMMATION OF THIS PLAN, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THIS PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS, THEIR ESTATES OR THEIR AFFILIATES, ON THE ONE HAND, AND ANY RELEASED PARTY, ON THE OTHER**

HAND, OR ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE BEFORE THE EFFECTIVE DATE; *PROVIDED* THAT, TO THE EXTENT THAT A CLAIM OR CAUSE OF ACTION IS DETERMINED BY A FINAL ORDER TO HAVE RESULTED FROM FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A RELEASED PARTY, SUCH CLAIM OR CAUSE OF ACTION WILL NOT BE SO RELEASED AGAINST SUCH RELEASED PARTY; *PROVIDED FURTHER* THAT, THE FOREGOING "DEBTOR RELEASE" WILL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION OF THE DEBTORS OR THEIR RESPECTIVE CHAPTER 11 ESTATES AGAINST A RELEASED PARTY (OR OF A RELEASED PARTY AGAINST THE DEBTORS AND THEIR RESPECTIVE CHAPTER 11 ESTATES) (I) ARISING UNDER ANY CONTRACTUAL OBLIGATION OWED TO THE DEBTORS THAT IS ENTERED INTO OR ASSUMED PURSUANT TO THE PLAN OR (II) ARISING UNDER THE PURCHASE AGREEMENT; *PROVIDED FURTHER* THAT, REGARDLESS OF WHETHER OR NOT THE BANKRUPTCY COURT APPROVES THE RELEASE OF ANY AND ALL CLAIMS AGAINST THE DEBTORS' DIRECTORS AND OFFICERS AS SET FORTH IN THE PLAN, THE CREDITORS' COMMITTEE AND ANY SUCCESSOR, INCLUDING, BUT NOT LIMITED TO, THE PLAN ADMINISTRATOR AND CREDITOR RECOVERY TRUST (AS WILL BE REFLECTED IN THE CREDITOR RECOVERY TRUST AGREEMENT), COVENANTS AND AGREES NOT TO PURSUE SUCH CLAIMS.

10. *Releases by Holders of Claims and Interests*

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS PLAN OR THE CONFIRMATION ORDER, AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES WILL BE DEEMED TO PROVIDE A FULL RELEASE TO THE RELEASED PARTIES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, REMEDIES, CAUSES OF ACTION, RIGHTS OF SETOFF, OTHER RIGHTS, AND LIABILITIES WHATSOEVER, WHETHER FOR TORT, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS, AVOIDANCE ACTIONS, INCLUDING ANY DERIVATIVE CLAIMS, ASSERTED OR THAT COULD POSSIBLY HAVE BEEN ASSERTED DIRECTLY OR INDIRECTLY, WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, AND ANY AND ALL CAUSES OF ACTION ASSERTED OR THAT COULD POSSIBLY HAVE BEEN ASSERTED, BASED ON OR IN ANY WAY RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THEIR ESTATES OR THEIR AFFILIATES, THE CONDUCT OF THE DEBTORS' BUSINESSES, THE FORMULATION, PREPARATION, SOLICITATION, DISSEMINATION, NEGOTIATION, OR FILING OF THE DISCLOSURE STATEMENT OR PLAN OR ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH OR PURSUANT TO THE DISCLOSURE STATEMENT, THIS PLAN OR THE PURCHASE AGREEMENT, THE FILING AND PROSECUTION OF THE CHAPTER 11 CASES, THE PURSUIT OF CONSUMMATION OF THE PURCHASE AGREEMENT AND THIS PLAN, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THIS PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE RELEASING PARTIES, ON THE ONE HAND, AND ANY RELEASED PARTY, ON THE OTHER HAND, OR ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE BEFORE THE EFFECTIVE DATE; *PROVIDED* THAT, TO THE EXTENT THAT A CLAIM OR CAUSE OF ACTION IS DETERMINED BY A FINAL



**ORDER TO HAVE RESULTED FROM FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A RELEASED PARTY, SUCH CLAIM OR CAUSE OF ACTION WILL NOT BE SO RELEASED AGAINST SUCH RELEASED PARTY.**

11. *Exculpation*

The Exculpated Parties will neither have, nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with the Chapter 11 Cases, or related to formulating, negotiating, soliciting, preparing, disseminating, confirming, or implementing the Plan or consummating the Plan, this Disclosure Statement, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring or liquidation of the Debtors; *provided that*, each Exculpated Party will be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement. Without limiting the foregoing “Exculpation” provided under Section 12.11 of the Plan, the rights of any holder of a Claim or Interest to enforce rights arising under the Plan will be preserved, including the right to compel payment of distributions in accordance with the Plan.

12. *Injunction*

**EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR IN THE CONFIRMATION ORDER, ALL PERSONS OR ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS AGAINST OR INTERESTS IN THE DEBTORS ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ANY SUCH CLAIM OR INTEREST AGAINST ANY OF THE DEBTORS OR THE CREDITOR RECOVERY TRUST, (II) THE ENFORCEMENT, ATTACHMENT, COLLECTION OR RECOVERY BY ANY MANNER OR MEANS OF ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST ANY DEBTOR OR THE CREDITOR RECOVERY TRUST WITH RESPECT TO SUCH CLAIM OR INTEREST, (III) CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST ANY DEBTOR OR THE CREDITOR RECOVERY TRUST OR AGAINST THE PROPERTY OR INTERESTS IN PROPERTY OF ANY DEBTOR OR THE CREDITOR RECOVERY TRUST WITH RESPECT TO SUCH CLAIM OR INTEREST, (IV) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE TO ANY DEBTOR OR THE CREDITOR RECOVERY TRUST OR AGAINST THE PROPERTY OR INTERESTS IN PROPERTY OF ANY DEBTOR OR THE CREDITOR RECOVERY TRUST WITH RESPECT TO SUCH CLAIM OR INTEREST, EXCEPT AS CONTEMPLATED OR ALLOWED BY THE PLAN, (V) ACTING OR PROCEEDING IN ANY MANNER IN ANY PLACE WHATSOEVER, THAT DOES NOT CONFORM TO OR COMPLY WITH THE PROVISIONS OF THE PLAN, (VI) COMMENCING, CONTINUING, OR ASSERTING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND WITH RESPECT TO ANY CLAIMS WHICH ARE EXTINGUISHED OR RELEASED PURSUANT TO THE PLAN, AND (VII) TAKING ANY ACTIONS TO INTERFERE WITH THE IMPLEMENTATION OR CONSUMMATION OF THE PLAN.**

13. *Waiver of Statutory Limitation on Releases*

**EACH RELEASING PARTY IN EACH OF THE RELEASES CONTAINED IN THE PLAN (INCLUDING UNDER SECTION 12 OF THE PLAN) EXPRESSLY**

**ACKNOWLEDGES THAT ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS OR THEIR FAVOR, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE PARTY RELEASED, SUCH RELEASING PARTY HAS CAREFULLY CONSIDERED AND TAKEN INTO ACCOUNT IN DETERMINING TO ENTER INTO THE ABOVE RELEASES THE POSSIBLE EXISTENCE OF SUCH UNKNOWN LOSSES OR CLAIMS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH RELEASING PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS CONFERRED UPON IT BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE RELEASED PARTY, INCLUDING THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542. THE RELEASES CONTAINED IN SECTION 12 OF THE PLAN ARE EFFECTIVE REGARDLESS OF WHETHER THOSE RELEASED MATTERS ARE PRESENTLY KNOWN, UNKNOWN, SUSPECTED OR UNSUSPECTED, FORESEEN OR UNFORESEEN.**

14. *Excluded Avoidance Actions*

The Excluded Avoidance Actions will be acquired by and transferred to Purchaser under the Purchase Agreement and, as of the Closing, Purchaser will release and waive such Excluded Avoidance Actions.

15. *Solicitation of Plan*

As of and subject to the occurrence of the Confirmation Date: (i) the Debtors will be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation, sections 1125(a) and (e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation; and (ii) the Debtors and each of their respective directors, officers, employees, Affiliates, agents, financial advisors, investment bankers, professionals, accountants, and attorneys will be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan (if any), and therefore, are not, and on account of such offer, issuance and solicitation will not be, liable at any time for any violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan (in each case, if applicable).

16. *Plan Supplement*

The Plan Supplement will be filed with the Clerk of the Bankruptcy Court by no later than five days before the Voting Deadline. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Documents to be included in the Plan Supplement will be posted at the website of court-appointed claims and noticing agent as they become available.

**M. MISCELLANEOUS PROVISIONS**

1. *Dissolution of Creditors' Committee*

On the Effective Date, the Creditors' Committee will dissolve, and the members thereof will be released and discharged from all rights and duties arising from, or related to, the Chapter 11 Cases; *provided* that, after the Effective Date, the Creditors' Committee will exist and its professionals will continue to be retained and will continue to be entitled to reasonable compensation by the Debtors without the need for further application to the Bankruptcy Court with respect to (i) all applications filed pursuant to sections 330 and 331 of the Bankruptcy Code and any related hearings; and (ii) pending appeals of the Confirmation Order; *provided further* that, the Bankruptcy Court will retain jurisdiction with respect to any disputes over the reasonableness of fees.

2. *Amendments*

(a) Plan Modifications. The Plan may be amended, modified or supplemented by the Debtors in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code; *provided* that, such amendments, modifications, or supplements will be satisfactory in all respects to the Debtors and the Creditors' Committee. In addition, after the Confirmation Date, the Debtors may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order, with respect to such matters as may be necessary to carry out the purposes and effects of the Plan.

(b) Other Amendments. Before the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan and the documents contained in the Plan Supplement without further order or approval of the Bankruptcy Court.

**VI.  
CERTAIN RISK FACTORS AFFECTING DEBTORS**

1. *Risk of Non-Confirmation of Plan*

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate resolicitation of votes.

2. *Non-Consensual Confirmation*

In the event any impaired class of claims or interests entitled to vote on a plan of reorganization or liquidation does not accept a plan of reorganization or liquidation, respectively, a bankruptcy court may nevertheless confirm such plan at the proponent's request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes.

3. *Risk Related to DIP Facility*

In the event of a breach of one of the milestones or another event of default under the DIP Facility, the DIP Lenders may seek, among other things, to exercise certain remedies with respect to the collateral securing the DIP Facility, and to take certain other actions against the Debtors, subject to the limitations in the Final DIP Order.

4. *Risks Related to Sale Transaction*

Although the Debtors believe that they will be able to consummate the Sale Transaction, there can be no assurance that the Bankruptcy Court will approve the Debtors' entry into and performance under the Purchase Agreement. Furthermore, the Purchase Agreement includes certain contingencies that would enable the Successful Bidder to not close the Sale Transaction. If either of these scenarios were to occur, the Debtors cannot be certain what proceeds, if any, would be available for distributions under the Plan.

5. *Debtors Have No Duty to Update*

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

6. *No Representations Outside Disclosure Statement Are Authorized*

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

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

The contents of this Disclosure Statement should **not** be construed as legal, business, or tax advice. Each holder of a Claim or Interests should consult his, her, or its own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its Claim or Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

8. *No Admission Made*

Nothing contained in the Plan will constitute an admission of, or be deemed evidence of, the tax or other legal effects of the Plan on the Debtors or on holders of Claims or Interests.

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

No reliance should be placed on the fact that particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The

Debtors may seek to investigate, file, and prosecute Claims and Interests and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

10. *No Waiver of Right to Object or Right to Recover Transfers and Assets*

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

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

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

**VII.**

**CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and to certain holders of Allowed Claims. This summary does not address the U.S. federal income tax consequences to holders of Claims whose Claims are entitled to payment in full in Cash, holders of ABL Claims, the Term Loan B-2 Claim, and the Term Loan B-1 Claim, or holders of Claims or Interests who are deemed to have rejected the Plan.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Tax Code**"), existing and proposed U.S. Treasury regulations thereunder (the "**Treasury Regulations**"), judicial decisions, and published administrative rules and pronouncements of the Internal Revenue Service (the "**IRS**") as in effect on the date hereof, all of which are subject to change, possibly on a retroactive basis. Any such change could significantly affect the U.S. federal income tax consequences described below.

The U.S. federal income tax consequences of the Plan are complex and subject to significant uncertainties. The Debtors have not requested an opinion of counsel or a ruling from the IRS with respect to any of the tax aspects of the Plan. This summary does not address state, local, or foreign income or other tax consequences of the Plan, nor does it purport to address the U.S. federal income tax consequences of the Plan to special classes of taxpayers (such as non-U.S. persons, broker-dealers, banks, mutual funds, insurance companies, financial institutions, thrifts, small business investment companies, regulated investment companies, real estate investment trusts, tax-exempt organizations, retirement plans, individual retirement and other tax-deferred accounts, S corporations, partnerships or other pass-through entities for U.S. federal income tax purposes, any other Debtor entity, persons holding securities as part of a hedging, straddle, conversion or constructive sale transaction or other integrated investment, traders in securities that elect to use a mark-to-market method of accounting for their security holding, dealers in securities or foreign currencies, persons whose functional currency is not the U.S. dollar, certain expatriates or former long term residents of the United States, persons who received their Claim as compensation or who acquired their Claim in the secondary market, and persons subject to the alternative

minimum tax or the “Medicare” tax on net investment income). Additionally, this discussion does not address the Foreign Account Tax Compliance Act.

The following discussion generally assumes that, the various debt and other arrangements to which the Debtors are parties will be respected for U.S. federal income tax purposes in accordance with their form, that the Plan will be treated as a plan of liquidation of the Debtors for U.S. federal income tax purposes, and that all distributions to holders of Claims and Interests will be taxed accordingly.

ACCORDINGLY, AS WITH ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE FOLLOWING SUMMARY IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING OR FOR ADVICE BASED UPON THE PARTICULAR CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES APPLICABLE TO IT UNDER THE PLAN.

**A. CONSEQUENCES TO DEBTORS**

Each of the Debtors is a member of an affiliated group of corporations that files a consolidated federal income tax returns with Clothesline Holdings, Inc. as the common parent (the “**Angelica U.S. Tax Group**”) or an entity disregarded as separate from its owner for U.S. federal income tax purposes whose business activities and operations are reflected on the consolidated U.S. federal income tax returns of the Angelica U.S. Tax Group. The Debtors estimate that, as of the Commencement Date, the Angelica U.S. Tax Group had consolidated net operating loss (“**NOL**”) carryforwards of approximately \$131 million, among other tax attributes (including tax basis in assets). However, the amount of any NOLs and other tax attributes, as well as the application of any limitations, remain subject to review and adjustment by the IRS.

As indicated above, the Debtors intend to treat the Plan as a plan of liquidation for U.S. federal income tax purposes in that the Debtors will remain in existence following the Effective Date solely for the purpose of winding up their affairs including, but not limited to, resolving outstanding Claims, selling their remaining assets, if any, and distributing the proceeds and any remaining property to or for the benefit of holders of Allowed Claims and Interests. The U.S. federal income tax impact of the Plan on the NOLs and other tax attributes of the Debtors is further discussed below.

*1. Sale and Other Dispositions of Assets*

As discussed above, substantially all of the Debtors’ assets will be sold pursuant to the Sale Transaction. Additionally, if at any time the Plan Administrator determines it would be in the best interests of a Debtor and the holders of Allowed Claims against and Interests in such Debtor to establish a Liquidating Trust, the Plan Administrator may transfer some or all of the Debtor’s assets to a Liquidating Trust on behalf of all or a portion of the respective claimants and/or holders of Interests of the Debtor. For U.S. federal income tax purposes, the transfer of assets to a Liquidating Trust generally is treated equivalent to a sale of the assets at the fair market value. Although the Debtors may recognize taxable income in connection with the liquidation or transfer of the remaining assets (including upon a distribution of such assets to a Liquidating Trust), as discussed below, the Debtors expect to have sufficient available NOL carryforwards and/or other tax attributes to avoid any meaningful U.S. federal, state, local or foreign income tax liability.

The Tax Code provides that a debtor must recognize taxable income, generally referred to as cancellation of debt income (“**CODI**”), upon the elimination or reduction of debt for insufficient

consideration. The Tax Code provides an exception to such income recognition treatment for any CODI arising in bankruptcy, but generally requires the debtor to reduce certain of its tax attributes – such as current year NOLs, NOL carryforwards, tax credits, capital losses and tax basis in assets – by the amount of any such CODI that arises by reason of the discharge of the debtor’s indebtedness in the bankruptcy case. Under applicable Treasury Regulations, the reduction in certain tax attributes (such as NOL carryforwards) occurs under consolidated return principles, as in the case of the Debtors who are members of the Angelica U.S. Tax Group. CODI is generally the amount by which the adjusted issue price of indebtedness discharged exceeds the sum of the amount of cash and the fair market value of any other property given in exchange therefor. Any reduction in tax attributes under the CODI rules does not occur until the end of the tax year after such attributes have been applied to determine the tax in the year of discharge or, in the case of asset basis reduction, the first day of the taxable year following the tax year in which the CODI occurs. Accordingly, consistent with the intended treatment of the Plan as a plan of liquidation for U.S. federal income tax purposes, the Debtors expect that no CODI should be incurred by a Debtor as a result of the implementation of the Plan prior to the disposition by such Debtor of all or substantially all of its assets. In such case, the reduction of tax attributes resulting from such CODI (which, as indicated above, only occurs as of the end of the tax year in which the CODI occurs) generally should not have a material impact on the Debtors.

The Angelica U.S. Tax Group’s ability to utilize its NOL carryforwards and certain other tax attributes could be subject to limitation if the Angelica U.S. Tax Group underwent or were to undergo an ownership change within the meaning of section 382 of the Tax Code by reason of the implementation of the Plan or otherwise. The Debtors believe that no ownership change under section 382 of the Tax Code has occurred to date and, consistent with the intended treatment of the Plan as a plan of liquidation for U.S. federal income tax purposes, that no ownership change should occur as a result of the implementation of the Plan.

Nevertheless, there can be no assurance that the IRS will not successfully take a contrary position and thus that all or a substantial amount of the CODI will not be incurred prior to the disposition of all of the Debtors’ assets, or that an ownership change will not occur upon consummation of the Plan due to, among other things, a lack of authoritative IRS guidance as to when CODI occurs in the context of a liquidating Chapter 11 plan. In such event, the Debtors could incur a material amount of U.S. federal income tax in respect of the sale or other disposition of their assets depending, in part, on the amount realized upon the disposition of such assets and the then tax basis of the assets

## *2. Alternative Minimum Tax*

In general, a U.S. federal alternative minimum tax (“AMT”) is imposed on a corporation’s alternative minimum taxable income at a 20% rate to the extent that such tax exceeds the corporation’s regular U.S. federal income tax. For purposes of computing AMT taxable income, certain tax deductions and other beneficial allowances are modified or eliminated. In particular, even though a corporation otherwise might be able to offset all of its taxable income for regular tax purposes by available NOL carryforwards, only 90% of a corporation’s taxable income for AMT purposes may be offset by available NOL carryforwards (as computed for AMT purposes).

## **B. CONSEQUENCES TO HOLDERS OF GENERAL UNSECURED CLAIMS**

Pursuant to the Plan, each holder of a General Unsecured Claim will receive, in full and final satisfaction of such Claim and unless otherwise agreed, its Pro Rata share of (i) the General Unsecured Claims Recovery Amount (ii) any cash generated by the Plan Administrator after the Effective Date in accordance with the authorities granted to the Plan Administrator pursuant to Section 5.2 of the

Plan, and (iii) the Creditor Recovery Trust Interests (if formed), not to exceed the Allowed amount of such General Unsecured Claim.

The following discussion does not necessarily apply to holders who have Claims in more than one class relating to the same underlying obligation (such as where the underlying obligation is classified as partially secured and partially unsecured). Such holders should consult their tax advisor regarding the effect of such dual status obligations on the U.S. federal income tax consequences of the Plan to them.

1. *Recognition of Gain or Loss*

The U.S. federal income tax consequences of the implementation of the Plan to a holder of a Claim will depend, among other things, upon the origin of the holder's Claim, when the holder receives payment in respect of such Claim, whether the holder reports income using the accrual or cash method of tax accounting, whether the holder acquired its Claim at a discount, whether the holder has taken a bad debt deduction or worthless security deduction with respect to such Claim, and/or whether (as intended and herein assumed) the Plan is treated as a plan of liquidation for U.S. federal income tax purposes. A holder of a Claim should consult its tax advisor regarding the timing and amount of any potential bad debt deduction.

Generally, a holder of an Allowed Claim will recognize gain or loss with respect to its Allowed Claim) in an amount equal to the difference between (i) the sum of the amount of any Cash and the fair market value of any other property received by the holder, including, as discussed below, any beneficial interests in the Creditor Recovery Trust (other than any consideration attributable to a Claim for accrued but unpaid interest) and (ii) the adjusted tax basis of the Allowed Claim exchanged therefor (other than basis attributable to accrued but unpaid interest previously included in the holder's taxable income). As discussed below, the amount of Cash or other property received in respect of Claims for accrued but unpaid interest will be taxed as ordinary income, except to the extent previously included in income by a holder under its method of accounting. *See* Section VII.B.2 – "Allocation of Consideration to Interest." Consistent with the treatment of the Plan as a plan of liquidation, any loss realized by a holder of a Claim may not be recognizable until all of the distributions to such holder are received.

When gain or loss is recognized, such gain or loss may be long-term capital gain or loss if the Claim disposed of is a capital asset in the hands of the holder and has been held for more than one year. Each holder of an Allowed Claim should consult its tax advisor to determine whether gain or loss recognized by such holder will be long-term capital gain or loss and the specific tax effect thereof on such holder.

As discussed below (*see* Section VII.C – "Tax Treatment of Creditor Recovery Trust and Holders of Beneficial Interests"), each holder of a General Unsecured Claim that receives a beneficial interest in the Creditor Recovery Trust (if and when established) will be treated for U.S. federal income tax purposes as directly receiving, and as a direct owner of, its respective share of the Creditor Recovery Trust Assets (consistent with its economic rights in the trust). Pursuant to the Plan, the Creditor Recovery Trustee, to the extent the Creditor Recovery Trust is established, will in good faith value the assets transferred to the Creditor Recovery Trust, and all parties to the Creditor Recovery Trust (including holders of Claims receiving Creditor Recovery Trust Interests) must consistently use such valuation for all U.S. federal income tax purposes.

A holder's share of any proceeds received by the Creditor Recovery Trust upon the sale or other disposition of the assets of the Creditor Recovery Trust (other than any such amounts received as a result of the subsequent disallowance of Disputed Claims or the reallocation among holders of Allowed



Claims of undeliverable Plan distributions) should not be included, for U.S. federal income tax purposes, in the holder's amount realized in respect of its Allowed Claim but should be separately treated as amounts realized in respect of such holder's ownership interest in the underlying assets of the Creditor Recovery Trust. *See* Section VII.C below.

A holder's aggregate tax basis in its respective share of the Creditor Recovery Trust Assets will equal the fair market value of its interest in the Creditor Recovery Trust increased by its share of the Debtors' liabilities to which the underlying assets remain subject upon transfer to the Creditor Recovery Trust, and the holder's holding period generally will begin the day following establishment of the Creditor Recovery Trust.

## *2. Allocation of Consideration to Interest*

Pursuant to Section 7.8 of the Plan, all distributions in respect of Allowed Claims will be allocated first to the principal amount of the Allowed Claim (as determined for U.S. federal income tax purposes), with any excess allocated to accrued but unpaid interest. However, there is no assurance that such allocation would be respected by the IRS for U.S. federal income tax purposes. In general, to the extent any amount received (whether stock, cash, or other property) by a holder of a debt instrument is received in satisfaction of accrued interest during its holding period, such amount will be taxable to the holder as ordinary interest income (if not previously included in the holder's gross income under the holder's normal method of accounting). Conversely, a holder generally recognizes a deductible loss to the extent any accrued interest claimed was previously included in its gross income and is not paid in full. Each holder of an Allowed Claim is urged to consult its own tax advisors regarding the allocation of consideration and the taxation or deductibility of unpaid interest for tax purposes.

## **C. TAX TREATMENT OF CREDITOR RECOVERY TRUST AND HOLDERS OF BENEFICIAL INTERESTS**

As indicated above, if at any time the Plan Administrator determines it would be in the best interests of a Debtor and the holders of Allowed Claims against and Interests in such Debtor to establish the Creditor Recovery Trust, the Plan Administrator may transfer some or all of such Debtor's assets to the Creditor Recovery Trust on behalf of all or a portion of the respective claimants and/or holders of Interests of such Debtor.

### *1. Classification of Creditor Recovery Trust*

If established, such Creditor Recovery Trust will be intended to qualify as a "liquidating trust" for U.S. federal income tax purposes (other than in respect of any portion of the Creditor Recovery Trust Assets allocable to, or retained on account of, Disputed Claims, as discussed below). In general, a liquidating trust is not a separate taxable entity but rather is treated for U.S. federal income tax purposes as a "grantor" trust (i.e., a pass-through entity). The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth the general criteria for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. Any liquidating trust will be structured with the intention of complying with such general criteria. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45 all parties (including, without limitation, the Debtors, the Creditor Recovery Trustee and Creditor Recovery Trust Beneficiaries) will treat the transfer of Creditor Recovery Trust Assets to the Creditor Recovery Trust as (i) a transfer of Creditor Recovery Trust Assets (subject to any obligations relating to those assets) directly to Creditor Recovery Trust Beneficiaries (other than to the extent Creditor Recovery Trust Assets are allocable to Disputed Claims), followed by (ii) the transfer by such beneficiaries to the Creditor Recovery Trust of Creditor Recovery Trust Assets in exchange for Creditor Recovery Trust Interests. Accordingly, except in the event of contrary definitive guidance, Creditor Recovery Trust Beneficiaries

will be treated for U.S. federal income tax purposes as the grantors and owners of their respective share of Creditor Recovery Trust Assets (other than such Creditor Recovery Trust Assets as are allocable to Disputed Claims).

While the following discussion assumes that the Creditor Recovery Trust would be so treated for U.S. federal income tax purposes, no ruling will be requested from the IRS concerning the tax status of the Creditor Recovery Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position to the classification of the Creditor Recovery Trust as a grantor trust. If the IRS were to challenge successfully such classification, the U.S. federal income tax consequences to the Creditor Recovery Trust and the holders of Claims could vary from those discussed herein.

## *2. General Tax Reporting by Creditor Recovery Trust and Beneficiaries*

For all U.S. federal income tax purposes, all parties must treat the Creditor Recovery Trust as a grantor trust of which the holders of Creditor Recovery Trust Interests are the owners and grantors, and treat the Creditor Recovery Trust Beneficiaries as the direct owners of an undivided interest in the Creditor Recovery Trust Assets (other than any assets allocable to Disputed Claims), consistent with their economic interests therein. The Creditor Recovery Trustee will file tax returns for the Creditor Recovery Trust treating such Creditor Recovery Trust as a grantor trust pursuant to section 1.671-4(a) of the Treasury Regulations. The Creditor Recovery Trustee also will annually send to each holder of a Creditor Recovery Trust Interest a separate statement regarding the receipts and expenditures of the Creditor Recovery Trust as relevant for U.S. federal income tax purposes.

Allocations of taxable income of the Creditor Recovery Trust (other than taxable income allocable to any assets allocable to, or retained on account of, Disputed Claims, if such income is otherwise taxable at the Liquidated Trust) among the Creditor Recovery Trust Beneficiaries will be determined by reference to the manner in which an amount of cash equal to such taxable income would be distributed (were such cash permitted to be distributed at such time) if, immediately prior to such deemed distribution, the Creditor Recovery Trust had distributed all its assets (valued at their tax book value, and, if applicable, other than assets allocable to Disputed Claims) to the Creditor Recovery Trust Beneficiaries, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Creditor Recovery Trust. Similarly, taxable loss of the Creditor Recovery Trust will be allocated by reference to the manner in which an economic loss would be borne immediately after a liquidating distribution of the remaining Creditor Recovery Trust Assets. The tax book value of the Creditor Recovery Trust Assets for purposes of allocating taxable income and loss will equal their fair market value on the date of the transfer of the Creditor Recovery Trust Assets to the Creditor Recovery Trust, adjusted in accordance with tax accounting principles prescribed by the Tax Code, applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

As soon as reasonably practicable after the transfer of the Creditor Recovery Trust Assets to the Creditor Recovery Trust, the Creditor Recovery Trustee will make a good faith valuation of the Creditor Recovery Trust Assets. All parties to the Creditor Recovery Trust (including, without limitation, the Debtors, holders of Allowed Claims and Equity Interests, and the Creditor Recovery Trust Beneficiaries) must consistently use such valuation for all U.S. federal income tax purposes. The valuation will be made available, from time to time, as relevant for tax reporting purposes.

Taxable income or loss allocated to a Creditor Recovery Trust Beneficiary will be treated as income or loss with respect to such Creditor Recovery Trust Beneficiary's undivided interest in the Creditor Recovery Trust Assets, and not as income or loss with respect to its prior Allowed Claim or Equity Interest. The character of any income and the character and ability to use any loss will depend on

the particular situation of a Creditor Recovery Trust Beneficiary. It is currently unknown whether and to what extent the Creditor Recovery Trust Interests will be transferable.

The U.S. federal income tax obligations of a holder with respect to its Creditor Recovery Trust Interest are not dependent on the Creditor Recovery Trust distributing any cash or other proceeds. Thus, a holder may incur a U.S. federal income tax liability with respect to its allocable share of Creditor Recovery Trust income even if the Creditor Recovery Trust does not make a concurrent distribution to the holder. In general, other than in respect of cash retained on account of Disputed Claims and distributions resulting from undeliverable distributions (the subsequent distribution of which still relates to a holder's Allowed Claim), a distribution of cash by the Creditor Recovery Trust will not be separately taxable to a Creditor Recovery Trust Beneficiary since the beneficiary is already regarded for U.S. federal income tax purposes as owning the underlying assets (and was taxed at the time the cash was earned or received by the Creditor Recovery Trust). Holders are urged to consult their tax advisors regarding the appropriate U.S. federal income tax treatment of any subsequent distributions of cash originally retained by the Creditor Recovery Trust on account of Disputed Claims.

The Creditor Recovery Trustee will comply with all applicable governmental withholding requirements (*see* Section 5.5 of the Plan). Thus, in the case of any Creditor Recovery Trust Beneficiaries that are not U.S. persons, the Creditor Recovery Trustee may be required to withhold up to 30% of the income or proceeds allocable to such persons, depending on the circumstances (including whether the type of income is subject to a lower treaty rate). As indicated above, the foregoing discussion of the U.S. federal income tax consequences of the Plan does not generally address the consequences to non-U.S. holders; accordingly, such holders should consult their tax advisors with respect to the U.S. federal income tax consequences of the Plan, including owning an interest in the Creditor Recovery Trust.

### 3. *Tax Reporting for Assets Allocable to Disputed Claims*

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Creditor Recovery Trustee of an IRS private letter ruling if the Creditor Recovery Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by the Creditor Recovery Trustee), the Creditor Recovery Trustee (i) may elect to treat any Creditor Recovery Trust Assets allocable to, or retained on account of, Disputed Claims as a "disputed ownership fund" governed by section 1.468B-9 of the Treasury Regulations, and (ii) to the extent permitted by applicable law, will report consistently for state and local income tax purposes.

Accordingly, if a "disputed ownership fund" election is made, any amounts allocable to, or retained on account of, Disputed Claims will be subject to tax annually on a separate entity basis on any net income earned with respect to the Creditor Recovery Trust Assets in such reserves (including any gain recognized upon the disposition of such assets). All distributions from such assets (which distributions will be net of the expenses, including taxes, relating to the retention or disposition of such assets) will be treated as received by holders in respect of their Claims as if distributed by the Debtors. All parties (including, without limitation, the Debtors, the Creditor Recovery Trustee and the Creditor Recovery Trust Beneficiaries) will be required to report for tax purposes consistently with the foregoing.

## **D. WITHHOLDING ON DISTRIBUTIONS AND INFORMATION REPORTING**

All distributions to holders of Allowed Claims under the Plan are subject to any applicable tax withholding, including employment tax withholding. Under U.S. federal income tax law, interest, dividends, and other reportable payments may, under certain circumstances, be subject to "backup withholding" at the then applicable withholding rate (currently 28%). Backup withholding generally applies if the holder (i) fails to furnish its social security number or other taxpayer identification

number, (ii) furnishes an incorrect taxpayer identification number, (ii) fails properly to report interest or dividends, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the tax identification number provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions. Holders of Allowed Claims are urged to consult their tax advisors regarding the Treasury Regulations governing backup withholding and whether the transactions contemplated by the Plan would be subject to these Treasury Regulations.

In addition, a holder of an Allowed Claim or a Creditor Recovery Trust Beneficiary that is a not a U.S. person may be subject to up to 30% withholding, depending on, among other things, the particular type of income and whether the type of income is subject to a lower treaty rate. As to certain Claims, it is possible that withholding may be required with respect to Distributions by the Debtors even if no withholding would have been required if payment was made prior to the Chapter 11 Cases. A non-U.S. holder may also be subject to other adverse consequences in connection with the implementation of the Plan. As discussed above, the foregoing discussion of the U.S. federal income tax consequences of the Plan does not generally address the consequences to non-U.S. holders. Non-U.S. holders are urged to consult their tax advisors regarding potential withholding on Distributions by the Debtors or payments from the Creditor Recovery Trust.

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

## **VIII.**

### **CONFIRMATION OF PLAN**

#### **A. CONFIRMATION HEARING**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after appropriate notice, to hold a hearing on confirmation of a chapter 11 plan. The Bankruptcy Court has scheduled the Confirmation Hearing to commence on [●], 2017 at \_\_ \_\_.m. (Eastern Time). The Confirmation Hearing may be adjourned from time-to-time by the Debtors or the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any subsequent adjourned Confirmation Hearing.

#### **B. OBJECTIONS**

Section 1128 of the Bankruptcy Code provides that any party in interest may object to the confirmation of a plan. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

Any objection to confirmation of the Plan must be in writing, must conform to the Bankruptcy Rules and the Local Bankruptcy Rules for the Bankruptcy Court, must set forth the name of the objector, the nature and amount of Claims or Interests held or asserted by the objector against the Debtors' Estates or property, the basis for the objection and the specific grounds therefor, and must be filed with the Bankruptcy Court, with a copy to the chambers of The Honorable James L. Garrity, United

States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York, together with proof of service thereof, and served upon the parties listed below so as to be received no later than the Confirmation Objection Deadline of [●], 2017 at 12:00 p.m. (Eastern Time):

<p><b><i>Debtors</i></b></p> <p>Angelica Corporation 1105 Lakewood Parkway, Suite 210 Alpharetta, Georgia 30009 Attn: Jonathan I. Blake</p>	<p><b><i>Counsel to Debtors</i></b></p> <p>Weil, Gotshal &amp; Manges LLP 767 Fifth Avenue New York, NY 10153 Attn: Matthew S. Barr Jill Frizzley Kevin Bostel</p>
<p><b><i>Office of United States Trustee</i></b></p> <p>201 Varick Street Suite 1006 New York, NY 10014 Attn: Richard Morrissey</p>	<p><b><i>Counsel to Creditors' Committee or Plan Administrator</i></b></p> <p>Cole Schotz P.C. 1325 Avenue of the Americas, 19th Floor New York, NY 10019 Attn: Michael D. Sirota Daniel F.X. Geoghan Ryan T. Jareck</p>
<p><b><i>Counsel to DIP Lenders</i></b></p> <p>Greenberg Traurig 333 Piedmont Road NE, Suite 2500 Atlanta, GA 30305 Attn: David B. Kurzweil Michael G. Leveille</p>	<p><b><i>Counsel to Successful Bidder</i></b></p> <p>Paul, Weiss, Rifkind, Wharton &amp; Garrison LLP 1285 6th Ave New York, NY 10019 Attn: Brian S. Hermann Lauren Shumejda</p>

**UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

**C. REQUIREMENTS FOR CONFIRMATION OF PLAN**

1. *Requirements of Section 1129(a) of Bankruptcy Code*

a. General Requirements

At the Confirmation Hearing, the Bankruptcy Court will determine whether the following confirmation requirements specified in section 1129 of the Bankruptcy Code have been satisfied:

- (i) The Plan complies with the applicable provisions of the Bankruptcy Code.
- (ii) The Debtors have complied with the applicable provisions of the Bankruptcy Code.
- (iii) The Plan has been proposed in good faith and not by any means proscribed by law.

(iv) Any payment made or promised by the Debtors or by a person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been approved or is subject to the approval of the Bankruptcy Court as reasonable.

(v) The Debtors have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the Plan, as a director, officer, or voting trustee of the Debtors, an affiliate of the Debtors participating in a joint plan with the Debtors, or a successor to the Debtors under the Plan, and the appointment to, or continuance in, such office of such individual is consistent with the interests of creditors and equity holders and with public policy.

(vi) With respect to each Class of Claims or Interests, each holder of an Impaired Claim or Impaired Interest either has accepted the Plan or will receive or retain under the Plan on account of such holder's Claim or Interest, property of a value, as of the Effective Date, that is not less than the amount such holder would receive or retain if the Debtors were liquidated on the Effective Date under chapter 7 of the Bankruptcy Code. *See* discussion of "Best Interests Test" in Section VIII.C.1.b below.

(vii) Except to the extent the Plan meets the requirements of section 1129(b) of the Bankruptcy Code (discussed below), each Class of Claims or Interests has either accepted the Plan or is not impaired under the Plan.

(viii) Except to the extent that the holder of a particular Claim has agreed to a different treatment of such claim, the Plan provides that administrative expenses and priority claims will be paid in full on the Effective Date.

(ix) At least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by any insider holding a claim in such Class.

(x) Confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan. *See* "Feasibility Analysis" in Section VIII.C.1.c below.

(xi) All fees payable under section 1930 of title 28, as determined by the Bankruptcy Court at the hearing on confirmation of the Plan, have been paid or the Plan provides for the payment of all such fees on the Effective Date of the Plan.

b. Best Interests Test

As noted above, the Bankruptcy Code requires that each holder of an Impaired Claim or Interest either (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. This requirement is referred to as the "best interests test."

The best interests test requires the Bankruptcy Court to determine what the holders of allowed claims and allowed equity interests in each impaired class would receive from a liquidation of the debtor's assets and properties in the context of a liquidation under chapter 7 of the Bankruptcy Code. To determine if a plan is in the best interests of each impaired class, the value of the distributions from the proceeds of the liquidation of the debtor's assets and properties (after subtracting the amounts attributable

to the aforesaid claims) is then compared with the value offered to such classes of claims and equity interests under the plan.

The Debtors believe that under the Plan all holders of Impaired Claims and Interests will receive property with a value not less than the value such holder would receive in a liquidation under chapter 7 of the Bankruptcy Code. The Debtors' belief is based primarily on (i) consideration of the deleterious effects that a chapter 7 liquidation would have on the proceeds available for distribution to holders of Impaired Claims and Interests and (ii) the Liquidation Analysis prepared by the Debtors' financial advisor, A&M, that is attached hereto as Exhibit C.

The Liquidation Analysis is a comparison of (i) the estimated recoveries for creditors and equity holders of the Debtors that may result from the Plan and (ii) an estimate of the recoveries that may result from a hypothetical chapter 7 liquidation. The Liquidation Analysis is based upon a number of significant assumptions which are described therein. The Liquidation Analysis is solely for the purpose of disclosing to holders of Claims and Interests the effects of a hypothetical chapter 7 liquidation of the Debtors, subject to the assumptions set forth therein. There can be no assurance as to values that would actually be realized in a chapter 7 liquidation nor can there be any assurance that the Bankruptcy Court will accept the Debtors' conclusions or concur with such assumptions in making its determinations under section 1129(a)(7) of the Bankruptcy Code.

c. Feasibility Analysis

In connection with confirmation of the Plan, the Bankruptcy Court will have to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which means that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors unless the Plan provides for the liquidation of the Debtors. Since the Plan provides for the liquidation of the Debtors, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet their post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan, including sufficient funds for the Plan Administrator to liquidate the Debtors' remaining assets. Accordingly, the Debtors believe the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

2. *Requirements of Section 1129(b) of Bankruptcy Code*

The Bankruptcy Court may confirm the Plan over the rejection or deemed rejection of the Plan by a class of Claims or Interests if the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such class.

a. No Unfair Discrimination

The "no unfair discrimination" test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under a plan. A chapter 11 plan does not discriminate unfairly, within the meaning of the Bankruptcy Code, if the legal rights of a dissenting class are treated in a manner consistent with the treatment of other classes whose legal rights are substantially similar to those of the dissenting class and if no class of claims or equity interests receives more than it legally is entitled to receive for its claims or equity interests. This test does not require that the treatment be the same or equivalent, but that such treatment is "fair."

The Debtors believe that, under the Plan, all Impaired Classes of Claims and Interests are treated in a manner that is fair and consistent with the treatment of any and all other Classes of Claims

and Interests having the same priority. Accordingly, the Debtors believe the Plan does not discriminate unfairly as to any Impaired Class of Claims or Interests.

b. Fair and Equitable Test

The “fair and equitable” test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the allowed amount of the claims in such class. The test sets forth different standards for what is fair and equitable, depending on the type of claims or interests in such class. In order to demonstrate that a plan is “fair and equitable,” the plan proponent must demonstrate the following:

(i) *Secured Creditors.* With respect to a class of impaired secured claims, a proposed plan must provide the following: (i) that the holders of secured claims retain their liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the Plan, of at least the value of such holder’s interest in the estates’ interest in such property; (ii) for the sale, subject to section 363 of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (i) or (iii) of this paragraph; or (iii) that the holders of secured claims receive the “indubitable equivalent” of their allowed secured claim.

(ii) *Unsecured Creditors.* With respect to a class of impaired unsecured claims, a proposed plan must provide the following: either (i) each holder of an impaired unsecured claim 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.

(iii) *Holders of Equity Interests.* With respect to a class of equity interests, a proposed plan must provide the following: (i) that each holder of an equity interest receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or (ii) that the holder of any interest that is junior to the interests of the class of equity interests will not receive or retain under the Plan on account of such junior interest any property.

The Debtors believe the Plan satisfies the “fair and equitable” test with respect to all Impaired Classes of Claims and Interests.

c. Application to Plan

As to any Class that may reject the Plan, the Debtors believe the Plan will satisfy both the “no unfair discrimination” requirement and the “fair and equitable” requirements, because, as to any such dissenting Class, there is no Class of equal priority receiving more favorable treatment, and such Class will either be paid in full, or no Class that is junior to such a dissenting Class will receive or retain any property on account of the Claims or Interests in such Class.

3. *Alternative to Confirmation and Consummation of Plan: Liquidation Under Chapter 7*

The Debtors have evaluated as an alternative to the Plan, the liquidation of the Debtors under chapter 7. After studying this alternative, the Debtors have concluded that the Plan is the best



option for the Debtors and their Estates and will maximize recoveries to parties-in-interest—assuming confirmation and consummation of the Plan. If the Plan is not confirmed and consummated, the only alternative to the Plan includes a liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

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

Substantially all of the Debtors' assets will have been sold through the Debtors' proposed Sale Transaction prior to the Confirmation Hearing and the Plan is a plan of liquidation under chapter 11. The Debtors believe that liquidating the Debtors' Estates under the Plan provides a greater, more timely recovery to holders of Allowed General Unsecured Claims than would a chapter 7 liquidation due to the additional fees and expenses attendant thereto, including the potential added time and expense incurred by the chapter 7 trustee and any retained professionals in familiarizing themselves with the Debtors and their Estates. Accordingly, the Debtors believe that in liquidation under chapter 7, before creditors received any distribution, additional administrative expenses involved in the appointment of a chapter 7 trustee and its retained professionals would cause a substantial diminution in the value of the Debtors' assets. The assets available for distribution to creditors would be reduced by such additional expenses and by the Claims, some of which would be entitled to priority, which may arise by reason of the liquidation.

Based on the Debtors' analysis, it is likely that a liquidation of the Debtors' assets under a chapter 7 liquidation would result in smaller distributions being made to creditors than those provided for under the Plan. Accordingly, the Debtors believe that the Plan is in the best interests of creditors.

#### 4. *Nonconsensual Confirmation*

If any impaired Class of Claims entitled to vote will not accept the Plan by the requisite statutory majority provided in section 1126(c) of the Bankruptcy Code, the Debtors reserve the right to amend the Plan or undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code or both. With respect to impaired Classes of Claims that are deemed to reject the Plan, the Debtors will request that the Bankruptcy Court confirm the Plan pursuant to section 1129(b) of the Bankruptcy Code.

**IX.**

**CONCLUSION**

The Debtors believe that confirmation and implementation of the Plan is in the best interests of all creditors, and urges holders of impaired Claims in Class 6 (General Unsecured Claims) to vote to accept the Plan and to evidence such acceptance by returning their ballots so that they will be received no later than the Voting Deadline, [●], 2017 at \_\_\_.m. (Eastern Time).

Dated: June 21, 2017  
New York, New York

Respectfully submitted,

By: /s/ John Makuch  
Name: John Makuch  
Title: Chief Financial Officer

**Exhibit A**

**Plan**

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

-----X		
In re:	:	Chapter 11
	:	
ANGELICA CORPORATION, <i>et al.</i> ,	:	Case No. 17-10870 (JLG)
	:	
Debtors. <sup>1</sup>	:	(Jointly Administered)
	:	
-----X		

**FIRST AMENDED JOINT CHAPTER 11 PLAN OF  
ANGELICA CORPORATION AND ITS AFFILIATED DEBTORS**

**THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THE DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BY THE BANKRUPTCY COURT, BUT SUCH APPROVAL HAS NOT BEEN GRANTED TO DATE.**

**WEIL, GOTSHAL & MANGES LLP**

Matthew S. Barr  
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*Counsel for Debtors  
and Debtors in Possession*

Dated: June 21, 2017  
New York, New York

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Angelica Corporation (5260); Clothesline Holdings, Inc. (1081); Angelica Textile Services, Inc.-NY (6508); Royal Institutional Services, Inc. (8906); and Angelica Textile Services, Inc.-CA (5010). The location of the Debtors' corporate headquarters is 1105 Lakewood Parkway, Suite 210, Alpharetta, Georgia 30009.

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Each of Clothesline Holdings, Inc., Angelica Corporation, Angelica Textile Services, Inc. (NY), Royal Institutional Services, Inc., and Angelica Textile Services, Inc. (CA) (each, a “**Debtor**” and collectively, the “**Debtors**”) proposes the following joint chapter 11 plan of liquidation pursuant to section 1121(a) of the Bankruptcy Code. Capitalized terms used herein shall have the meanings set forth in Section 1.A below.

## SECTION 1. DEFINITIONS AND INTERPRETATION.

### A. Definitions.

1.1 **ABL Agent** means Wells Fargo Capital Finance LLC, in its capacity as administrative agent and collateral agent under the ABL Credit Agreement.

1.2 **ABL Claim** means any Claim arising under, derived from, or based on the ABL Credit Agreement or otherwise secured pursuant to the ABL Credit Agreement Documents.

1.3 **ABL Co-Collateral Agent** means Regions Bank, in its capacity as co-collateral agent under the ABL Credit Agreement.

1.4 **ABL Credit Agreement** means that certain Loan and Security Agreement, dated as of July 15, 2001, by and among the Debtors, as borrowers, the lenders party thereto, the ABL Agent, and the ABL Co-Collateral Agent as may be amended, modified, restated, or supplemented from time to time.

1.5 **ABL Credit Agreement Documents** means the ABL Credit Agreement and all other agreements, documents, and instruments related thereto, including any guaranty agreements, pledge and collateral agreements, intercreditor agreements, and other security agreements.

1.6 **Administrative Expense Claim** means any Claim for costs and expenses of administration during the Chapter 11 Cases pursuant to sections 328, 330, 363, 364(c)(1), 365, 503(b) or 507(a)(2) of the Bankruptcy Code, including, (i) the actual and necessary costs and expenses incurred after the Commencement Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries or commissions for services and payments for good and other services and leased premises); (ii) Fee Claims; (iii) DIP Claims; and (iv) all fees and charges assessed against the Estates pursuant to section 1911 through 1930 of chapter 123 of title 28 of the United States Code, 28 U.S.C. §§ 1-1401.

1.7 **Administrative Expense Claims Bar Date** means the first Business Day that is 30 days following the Effective Date, except as otherwise specifically set forth in the Plan.

1.8 **Administrative Expense Claims Objection Bar Date** means the first Business Day that is 30 days following the Administrative Expense Claims Bar Date, except as otherwise specifically set forth in the Plan; *provided* that, the Administrative Claims Objection Bar Date may be extended pursuant to an order of the Bankruptcy Court upon a motion filed by the Plan Administrator after notice and a hearing.

1.9 **Affiliate** has the meaning set forth in section 101(2) of the Bankruptcy Code.

1.10 **Allowed** means, (i) with respect to any Claim, (a) any Claim arising on or before the Effective Date (1) that is not Disputed, or (2) as to which all such challenges have been determined by a Final Order to the extent such challenges are determined in favor of the respective holder, (b) any Claim



that is compromised, settled, or otherwise resolved pursuant to the authority of the Debtors or Plan Administrator in a Final Order of the Bankruptcy Court, (c) any Claim expressly allowed by Final Order of the Bankruptcy Court, (d) any Claim expressly allowed under the Plan, (e) any Claim that is listed in the Schedules as liquidated, non-contingent and undisputed, and (f) any Administrative Expense Claim (1) that was incurred by a Debtor in the ordinary course of business before the Effective Date to the extent due and owing without defense, offset, recoupment or counterclaim of any kind, and (2) that is not otherwise Disputed; and (ii) with respect to any Interest, such Interest is reflected as outstanding in the stock transfer ledger or similar register of any of the Debtors on the Distribution Record Date and is not subject to any objection or challenge; *provided* that, no Claim shall be “Allowed” if it is subject to disallowance in accordance with section 502(d) of the Bankruptcy Code. If a Claim is Allowed only in part, any provisions under the Plan with respect to Allowed Claims are applicable solely to the Allowed portion of such Claim.

1.11 **Available Cash** means (i) all Cash of a Debtor realized from its business operations, the sale or other disposition of its assets, the interest earned on its invested funds, recoveries from Causes of Action or from any other source or otherwise (including any proceeds from the Sale Transaction that remain in the Debtors’ possession as of the Effective Date) less (ii) the amount of Cash (a) necessary to pay holders of DIP Claims, Allowed Administrative Expense Claims, Priority Tax Claims, Other Priority Claims, Other Secured Claims, ABL Claims, the Term Loan B-2 Claim, and the General Unsecured Claims Recovery Amount in accordance with the Plan, and (b) estimated and reserved by such Debtor to (1) adequately fund the reasonable and necessary projected costs to carry out the provisions of the Plan with respect to such Debtor on and after the Effective Date, including, without limitation, any costs and fees associated with administering the Creditor Recovery Trust in accordance with Section 10.10 of the Plan, (2) pay all fees payable under section 1930 of chapter 123 of title 28 of the United States Code and (3) fund and maintain any postpetition reserve requirements in connection with any agreements or otherwise. Available Cash shall include the applicable portions of (i) excess amounts retained for Disputed Claims that become available in accordance with Section 7.9 of the Plan, or (ii) amounts represented by undeliverable distributions in accordance with Section 7.3 of the Plan.

1.12 **Avoidance Action** means any avoiding power actions under the Bankruptcy Code and applicable non-bankruptcy law, including under Sections 502(d), 544, 545, 547, 548, 549, 550, 551 and/or 553 of the Bankruptcy Code, except for the Excluded Avoidance Actions.

1.13 **Bankruptcy Code** means title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*, as amended from time to time, as applicable to the Chapter 11 Cases.

1.14 **Bankruptcy Court** means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases and, to the extent of any reference made under section 157 of title 28 of the United States Code, the unit of such District Court having jurisdiction over the Chapter 11 Cases under section 151 of title 28 of the United States Code.

1.15 **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, as amended from time to time, applicable to the Chapter 11 Cases, and any Local Rules of the Bankruptcy Court.

1.16 **Bar Date Order** means that certain *Order Pursuant to 11 U.S.C. § 502(b)(9), Fed. R. Bankr. P. 2002 And 3003(c)(3), And Local Rule 3003-1 for Order (I) Establishing Deadline to File Proofs of Claim and Procedures Relating Thereto and (II) Approving Form and Manner of Notice Thereof*, entered by the Bankruptcy Court in the Chapter 11 Cases on May 3, 2017 at Docket No. 145.

1.17 **Business Day** means any day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York are required or authorized to close by law or executive order.

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

1.19 **Causes of Action** means any action, Claim, cause of action, controversy, demand, right, lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license and franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on, or after the Commencement Date, in contract or in tort, in law or in equity or pursuant to any other theory of law. Causes of Action also include: (i) any right of setoff, counterclaim or recoupment and any claim for breach of contract or for breach of duties imposed by law or in equity; (ii) the right to object to Claims or Interests; (iii) any Avoidance Action; (iv) any claim or defense including fraud, mistake, duress and usury and any other defenses set forth in section 558 of the Bankruptcy Code; and (v) any state law fraudulent transfer claim.

1.20 **Chapter 11 Cases** means the jointly administered cases under chapter 11 of the Bankruptcy Code commenced by the Debtors on April 3, 2017, and styled *In re Angelica Corporation, et al*, Case No. 17-10870 (JLG).

1.21 **Claim** has the meaning set forth in section 101(5) of the Bankruptcy Code.

1.22 **Claims Objection Bar Date** means the first Business Day that is 120 days after the Effective Date; *provided that*, the Claims Objection Bar Date may be extended pursuant to an order of the Bankruptcy Court upon a motion filed by the Plan Administrator.

1.23 **Class** means any group of Claims or Interests classified pursuant to Section 3.1 of the Plan.

1.24 **Closing** means the consummation of the Sale Transaction.

1.25 **Clothesline Holdings** means Clothesline Holdings, Inc.

1.26 **Commencement Date** means April 3, 2017.

1.27 **Confirmation** means the entry on the docket of the Chapter 11 Cases of the Confirmation Order.

1.28 **Confirmation Date** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order.

1.29 **Confirmation Hearing** means the hearing to be held by the Bankruptcy Court regarding Confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

1.30 **Confirmation Order** means the order of the Bankruptcy Court, together with all exhibits, appendices, supplements, and related documents, confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

1.31 **Consummation** means the occurrence of the Effective Date of the Plan.

1.32 **Creditor Recovery Trust** means a trust that may be created on or after the Effective Date in the sole and absolute discretion of the Plan Administrator in accordance with the provisions of Section 10 of the Plan and the Creditor Recovery Trust Agreement, for the benefit of Creditor Recovery Trust Beneficiaries.

1.33 **Creditor Recovery Trust Agreement** means an agreement, in form and substance reasonably acceptable to the Debtors, KKR, and the Creditors' Committee, evidencing the terms and provisions governing the Creditor Recovery Trust that shall be filed with the Court in the Plan Supplement and entered into prior to the establishment of such Creditor Recovery Trust, to the extent such Creditor Recovery Trust is established in the sole and absolute discretion of the Plan Administrator, and pursuant to which the Creditor Recovery Trustee shall manage and administer Creditor Recovery Trust Assets.

1.34 **Creditor Recovery Trust Assets** means the assets of a Debtor to be transferred to the Creditor Recovery Trust, which shall be described in the Creditor Recovery Trust Agreement, to the extent the Creditor Recovery Trust is established in the sole and absolute discretion of the Plan Administrator.

1.35 **Creditor Recovery Trust Beneficiaries** means those holders of Allowed Claims (excluding the Term Loan B-1 Deficiency Claim) to the extent such holders receive Creditor Recovery Trust Interests.

1.36 **Creditor Recovery Trust Interest** means a non-certificated beneficial interest of the Creditor Recovery Trust allocable to holders of Allowed General Unsecured Claims in accordance with the terms and conditions of the Creditor Recovery Trust Agreement, which will not be transferable.

1.37 **Creditor Recovery Trustee** means the person or entity appointed by the Plan Administrator prior to the creation of the Creditor Recovery Trust, to the extent such Creditor Recovery Trust is established to administer such Creditor Recovery Trust in accordance with the provisions of Section 10 of the Plan and the Creditor Recovery Trust Agreement.

1.38 **Creditors' Committee** means the statutory committee of unsecured creditors appointed by the U.S. Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as the same may be constituted from time to time.

1.39 **Cure Obligation** means all (i) amounts (or such other amount as may be agreed upon by the parties under an Executory Contract or Unexpired Lease) required to cure any monetary defaults; and (ii) other obligations required to cure any non-monetary defaults under any Executory Contract or Unexpired Lease that is to be assumed by the Debtors pursuant to sections 365 or 1123 of the Bankruptcy Code.

1.40 **D&O Policy** means any insurance policy, including tail insurance policies, for directors', members', trustees, and officers liability maintained by the Debtors' Estates as of the Effective Date.

1.41 **DIP Agent** means Wells Fargo Capital Finance, LLC, as administrative agent for the DIP Lenders under the DIP Loan Agreement, and its permitted successors and assigns.

1.42 **DIP Claim** means any Claim of the DIP Lenders or DIP Agent arising under the DIP Loan Agreement, the DIP Financing Documents, or the Final DIP Order.

1.43 **DIP Financing Documents** has the meaning set forth in the Final DIP Order.

1.44 **DIP Lenders** means the lenders that are or become parties to the DIP Loan Agreement from time to time.

1.45 **DIP Loan Agreement** means that certain Senior Secured, Super-Priority Debtor-In-Possession Loan and Security Agreement, dated as of April 3, 2017, by and among the Debtors, the DIP Agent, and the DIP Lenders, as amended, supplemented, or otherwise modified.

1.46 **Disclosure Statement** means the Disclosure Statement for the Plan, which is prepared and distributed in accordance with sections 1125, 1126(b) and/or 1145 of the Bankruptcy Code, Bankruptcy Rule 3018 and/or other applicable law.

1.47 **Disputed** means with respect to a Claim or Interest, any such Claim or Interest (i) to the extent neither Allowed nor disallowed under the Plan or a Final Order nor deemed Allowed under section 502, 503 or 1111 of the Bankruptcy Code or (ii) for which a Proof of Claim or Interest has been filed, to the extent the Debtors or any party in interest has interposed a timely objection or request for estimation before the Confirmation Date in accordance with the Plan, which objection or request for estimation has not been withdrawn or determined by a Final Order.

1.48 **Distribution Date** means a date or dates, including the Initial Distribution Date, as determined by the Plan Administrator in accordance with the terms of the Plan, on which the Plan Administrator makes a distribution to holders of Allowed Claims.

1.49 **Distribution Record Date** means the Effective Date of the Plan.

1.50 **Effective Date** means the date on which all conditions to the effectiveness of the Plan set forth in Section 11 of the Plan have been satisfied or waived in accordance with the terms of the Plan.

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

1.52 **Estate or Estates** means individually or collectively, the estate or estates of the Debtors created under section 541 of the Bankruptcy Code.

1.53 **Excluded Avoidance Actions** means the Avoidance Actions against vendors, customers, employees and other parties with whom Purchaser will continue to do business after the Closing as set forth in Schedule II(4) to the Settlement Agreement.

1.54 **Exculpated Parties** means collectively: (i) the Debtors; (ii) the Creditors' Committee and each of its members, but solely in their capacities as such, and not individually; (iii) KKR; (iv) Great American; (v) the Purchaser (if not KKR); (vi) the DIP Lenders; (vii) the DIP Agent; and (viii) with respect to each of the foregoing entities in clauses (i) through (vii), such entities' predecessors, successors and assigns, subsidiaries, and Affiliates, and its and their current and former officers, directors, principals, shareholders and their Affiliates, members, managers, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, and other professionals, and such persons' respective heirs, executors, Estates, servants and nominees, in each case in their capacity as such.

1.55 ***Executory Contract*** means a contract or lease to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

1.56 ***Existing Clothesline Holdings Interests*** means all Interests in Clothesline Holdings, including common stock, preferred stock and any options, warrants or rights to acquire any such Interests.

1.57 ***Fee Claim*** means any Claim for professional services rendered or costs incurred on or after the Commencement Date through the Effective Date by professional persons retained by the Debtors or the Creditors' Committee pursuant to sections 327, 328, 329, 330, 331, 503(b) or 1103 of the Bankruptcy Code in the Chapter 11 Cases.

1.58 ***Final DIP Order*** means that certain *Final Order (I) Authorizing the Debtors to Obtain Post-Petition Secured Financing Pursuant to 11 U.S.C. § 364, (II) Authorizing the Debtors' Limited Use of Cash Collateral Pursuant to 11 U.S.C. § 363, and (III) Granting Adequate Protection to Prepetition Secured Lenders Pursuant to 11 U.S.C. §§ 361, 362, 363 and 364*, entered by the Bankruptcy Court in the Chapter 11 Cases on May 3, 2017 at Docket No. 144.

1.59 ***Final Order*** means an order or judgment of a court of competent jurisdiction that has been entered on the docket maintained by the clerk of such court, which has not been reversed, vacated or stayed and as to which (i) the time to appeal, petition for *certiorari*, or move for a new trial, reargument or rehearing has expired and as to which no appeal, petition for *certiorari*, or other proceedings for a new trial, reargument or rehearing shall then be pending, or (ii) if an appeal, writ of *certiorari*, new trial, reargument or rehearing thereof has been sought, such order or judgment shall have been affirmed by the highest court to which such order was appealed, or *certiorari* shall have been denied, or a new trial, reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for *certiorari* or move for a new trial, reargument or rehearing shall have expired; *provided* that, no order or judgment shall fail to be a "Final Order" solely because of the possibility that a motion pursuant to section 502(j) or 1144 of the Bankruptcy Code or under Rule 60 of the Federal Rules of Civil Procedure or Bankruptcy Rule 9024 has been or may be filed with respect to such order or judgment.

1.60 ***General Unsecured Claim*** means any unsecured Claim against any Debtor, excluding the Term Loan B-1 Deficiency Claim, which is not entitled to priority under the Bankruptcy Code or any order of the Bankruptcy Court.

1.61 ***General Unsecured Claims Recovery Amount*** means (i) Cash in the aggregate amount of One Million Four Hundred Thousand Dollars (\$1,400,000.00), which Purchaser is required to fund at Closing as part of the Debtors' Wind-Down Expenses and (ii) any proceeds or recoveries realized from Causes of Action net of any expenses or tax obligations related thereto.

1.62 ***Governmental Unit*** has the meaning set forth in section 101(27) of the Bankruptcy Code.

1.63 ***Great American*** means GACP Finance Co., LLC, and GACP I, L.P.

1.64 ***Impaired*** means, with respect to a Claim, Interest or Class of Claims or Interests, "impaired" within the meaning of section 1124 of the Bankruptcy Code.

1.65 **Initial Distribution** means the first distribution that the Plan Administrator makes to holders of Allowed Claims.

1.66 **Initial Distribution Date** means the date selected by the Plan Administrator as soon as reasonably practicable after the Effective Date.

1.67 **Interests** means any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code, including all common stock, preferred stock or other instruments evidencing an ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such interests in a Debtor that existed immediately before the Effective Date.

1.68 **KKR** means KKR-VRS Credit Partners L.P., Corporate Capital Trust, Inc., and 9W Halo Holdings L.P., each affiliates of KKR Credit Advisors (US) LLC.

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

1.70 **Other Equity Interest** means an Interest in a Debtor, other than Clothesline Holdings.

1.71 **Other Priority Claim** means any Claim against any of the Debtors entitled to priority in payment as specified in section 507(a)(3), (4), (5), (6), (7) or (9) of the Bankruptcy Code, other than an Administrative Expense Claim or a Priority Tax Claim.

1.72 **Other Secured Claim** means any Secured Claim, other than the DIP Claims, the ABL Claims, the Term Loan B-1 Claim, and the Term Loan B-2 Claim.

1.73 **Person** means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization, Governmental Unit or other entity.

1.74 **Plan** means this joint chapter 11 plan of liquidation, including the exhibits hereto and the Plan Supplement, as the same may be amended or modified from time to time in accordance with Section 14.4 of the Plan.

1.75 **Plan Administrator** means the person or entity selected by the Creditors' Committee charged with overseeing the tasks outlined in Section 5.2(b) of the Plan. The identity of the Plan Administrator shall be filed with the Court with the Plan Supplement by no later than five days before the Voting Deadline.

1.76 **Plan Oversight Committee** means the committee consisting of three (3) members selected by the Creditors' Committee established pursuant to Section 5.3 of the Plan to advise and assist the Plan Administrator and/or Creditor Recovery Trustee in the implementation and administration of the Plan and Creditor Recovery Trust to the extent one is established. A list of the members of the Plan Oversight Committee shall be filed with the Bankruptcy Court with the Plan Supplement by no later than five days before the Voting Deadline.

1.77 **Plan Supplement** means the compilation of documents containing information required to be disclosed in accordance with section 1129(a)(5) of the Bankruptcy Code; *provided* that, through the Effective Date, the Debtors shall have the right to amend any documents contained in, and exhibits to, the Plan Supplement.

1.78 **Priority Tax Claim** means any secured or unsecured Claim of a Governmental Unit of the kind entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code.

1.79 **Pro Rata** means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims and Disputed Claims within such Class.

1.80 **Proof of Claim** means a proof of Claim filed against any of the Debtors in the Chapter 11 Cases.

1.81 **Purchase Agreement** means that certain Asset Purchase Agreement, together with the exhibits thereto, entered into between the Debtors and the Purchaser, which provides for the sale of substantially all of the Debtors' assets to the Purchaser.

1.82 **Purchaser** means 9W Halo Holdings L.P., an affiliate of KKR.

1.83 **Released Parties** means collectively and in each case in their capacity as such: (i) the Debtors; (ii) the Creditors' Committee and each of its members, but solely in their capacities as such, and not individually; (iii) KKR; (iv) Great American; (v) the Purchaser; (vi) the DIP Lenders; (vii) the DIP Agent; and (viii) with respect to each of the foregoing entities in clauses (i) through (vii), such entities' predecessors, successors and assigns, subsidiaries, and Affiliates, and its and their current and former officers, directors, principals, shareholders and their Affiliates, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, and other professionals, and such persons' respective heirs, executors, estates, servants and nominees.

1.84 **Releasing Parties** means collectively and in each case in their capacity as such: (i) each holder of a Claim or an Interest who votes to accept the Plan; (ii) to the extent permitted by law, each holder of a Claim or Interest whose vote to accept or reject the Plan is solicited but who do not vote either to accept or to reject the Plan; (iii) to the extent permitted by law, each holder of a Claim or Interest who votes to reject the Plan but does not opt out of granting the releases set forth in the Plan; (iv) the DIP Lenders; (v) the DIP Agent; (vi) KKR; (vii) Great American; and (viii) the Purchaser (if not KKR); and (ix) with respect to each of the foregoing entities, such entities' predecessors, successors and assigns, subsidiaries, and Affiliates, and its and their current and former officers, directors, principals, shareholders, members, managers, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, and other professionals, and such persons' respective heirs, executors, estates, servants and nominees.

1.85 **Sale Transaction** means the sale of substantially all of the Debtors' assets pursuant to the Purchase Agreement.

1.86 **Schedule of Assumed Contracts and Leases** means the schedule of Executory Contracts and Unexpired Leases to be assumed by the Debtors, if any, to be filed with the Plan Supplement.

1.87 **Schedules** means the schedules of assets and liabilities and the statement of financial affairs filed by the Debtors under section 521 of the Bankruptcy Code, Bankruptcy Rule 1007, and the Official Bankruptcy Forms of the Bankruptcy Rules, as such schedules and statements have been or may be supplemented or amended from time to time.

1.88 ***Secured Claim*** means any Claim to the extent (i) secured by property of the Estate, the amount of which is equal to or less than the value of such property (a) as set forth in the Plan, (b) as agreed to by the holder of such Claim and the Debtors or (c) as determined by a Final Order in accordance with section 506(a) of the Bankruptcy Code or (ii) secured by the amount of any rights of setoff of the holder thereof under section 553 of the Bankruptcy Code.

1.89 ***Settlement Agreement*** means the settlement agreement entered into as of June 12, 2017, by and among: (a) the Debtors, (b) the Creditors' Committee, and (c) KKR resolving any and all disputes and issues existing among the parties with respect to the Chapter 11 Cases.

1.90 ***Term Loan Agent*** means Cortland Capital Market Services LLC, in its capacity as administrative agent and collateral agent under the Term Loan Agreement.

1.91 ***Term Loan Agreement*** means that certain Amended and Restated Loan and Security Agreement, dated as of July 12, 2016, by and among Clothesline Holdings and Angelica Corporation, as borrowers, the guarantors listed therein, the Term Loan Agent, and the Term Loan Lenders.

1.92 ***Term Loan B-1 Claim*** means the Secured Claim held by the Term Loan B-1 Lender, in its capacity as such and as defined in the Term Loan Agreement, arising under, derived from, or based on the Term Loan Agreement or otherwise secured pursuant to the Term Loan Agreement Documents.

1.93 ***Term Loan B-1 Collateral*** means the assets of the Debtors that secure the Term Loan B-1 Claim.

1.94 ***Term Loan B-1 Deficiency Claim*** means the Claim held by KKR against the Debtors after the reduction of the Purchaser's Claim to account for consideration payable in connection with the Sale Transaction, in accordance with the terms of the Purchase Agreement.

1.95 ***Term Loan B-2 Claim*** means the Claim held by the Term Loan B-2 Lender, in its capacity as such and as defined in the Term Loan Agreement, arising under, derived from, or based on the Term Loan Agreement or otherwise secured pursuant to the Term Loan Agreement Documents.

1.96 ***Term Loan B-1 Lender*** means the Term B-1 Lender, as defined in the Term Loan Agreement.

1.97 ***Term Loan B-2 Lender*** means the Term B-2 Lender, as defined in the Term Loan Agreement.

1.98 ***Term Loan Collateral*** means any property or interest in property of the Estate of the Debtors subject to a Lien, charge, or other encumbrance to secure the payment or performance of a Claim arising under the Term Loan Agreement, which Lien, charge, or other encumbrance is not avoided under the Bankruptcy Code.

1.99 ***Term Loan Lenders*** means, collectively, the Term B-1 Lender and the Term B-2 Lender.

1.100 ***Unexpired Lease*** means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.



1.101 *Unimpaired* means, with respect to a Claim, Interest or Class of Claims or Interests, not “impaired” within the meaning of section 1123(a)(4) and 1124 of the Bankruptcy Code.

1.102 *Voting Deadline* means the deadline established by an Order of the Bankruptcy Court for voting to accept or reject the Plan.

1.103 *Wind-Down Expenses* shall have the same meaning as Sellers’ Wind-Down Expenses set forth in Section 1.1 of the Purchase Agreement.

**B. Interpretation; Application of Definitions and Rules of Construction.**

Unless otherwise specified, all section or exhibit references in the Plan are to the respective section in, or exhibit to, the Plan, as the same may be amended, waived or modified from time to time. The words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to the Plan as a whole and not to any particular section, subsection or clause contained therein. The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. For purposes herein: (i) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (ii) any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (iii) unless otherwise specified, all references herein to “Sections” are references to Sections hereof or hereto; (iv) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; and (v) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

**C. Controlling Document.**

In the event of an inconsistency between the Plan and the Plan Supplement, the terms of the relevant document in the Plan Supplement shall control (unless stated otherwise in such Plan Supplement document). The provisions of the Plan and of the Confirmation Order shall be construed in a manner consistent with each other so as to effect the purposes of each; *provided* that, if there is determined to be any inconsistency between any Plan provision and any provision of the Confirmation Order that cannot be so reconciled, then, solely to the extent of such inconsistency, the provisions of the Confirmation Order shall govern and any such provision of the Confirmation Order shall be deemed a modification of the Plan and shall control and take precedence.

**SECTION 2. ADMINISTRATIVE EXPENSE AND PRIORITY CLAIMS.**

**2.1. *Administrative Expense Claims.***

Except to the extent that a holder of an Allowed Administrative Expense Claim and the Debtors or the Plan Administrator agree to different treatment, the Debtors (or the Plan Administrator, as the case may be) shall pay to each holder of an Allowed Administrative Expense Claim, in full satisfaction, settlement, release and discharge of, and in exchange for such Allowed Administrative Expense Claim, Cash in an amount equal to such Claim on, or as soon thereafter as is reasonably practicable, the later of (a) the Effective Date and (b) the first Business Day after the date that is 30 calendar days after the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim; *provided* that, the Fee Claims shall receive the treatment provided in Section 2.2 of the

Plan; *provided, further* that, the DIP Claims shall receive the treatment provided in Section 2.4 of the Plan; *provided further* that, Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors shall be paid by the Debtors in the ordinary course of business, consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions.

Except as otherwise provided by a Final Order previously entered by the Bankruptcy Court (including the Bar Date Order) or as provided by Section 2.4 of the Plan, requests for payment of Administrative Expense Claims, other than requests for payment of Fee Claims, must be filed and served on the Debtors no later than the Administrative Expense Claims Bar Date pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order.

Holders of Administrative Expense Claims that are required to file and serve a request for payment of such Administrative Expense Claims and that do not file and serve such a request by the Administrative Expense Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Expense Claims against the Debtors or their property, and such Administrative Expense Claims shall be deemed compromised, settled, and released as of the Effective Date. The Plan Administrator must file and serve objections to Administrative Expense Claims on or before the Administrative Expense Claims Objection Bar Date.

## **2.2. *Fee Claims.***

All entities seeking an award by the Bankruptcy Court of Fee Claims (i) shall file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred by the date that is 30 days after the Effective Date and (ii) shall be paid in full in such amounts as are Allowed by the Bankruptcy Court (a) on the date upon which the Order relating to any such Allowed Fee Claim is entered, or (b) upon such other terms as may be mutually agreed upon between the holder of such an Allowed Fee Claim and the Plan Administrator. The Plan Administrator is authorized to pay compensation for services rendered or reimbursement of expenses incurred after the Confirmation Date in the ordinary course and without the need for Bankruptcy Court approval.

## **2.3. *Priority Tax Claims.***

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full satisfaction, settlement, release and discharge of, and in exchange for such Allowed Priority Tax Claim, Cash in an amount equal to such Claim on, or as soon thereafter as is reasonably practicable, the later of the Effective Date, the first Business Day after the date that is 30 calendar days after the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, and the date such Allowed Priority Tax Claim is due and payable in the ordinary course.

## **2.4. *DIP Claims.***

To the extent any DIP Claims are outstanding on the Effective Date, the DIP Claims shall be Allowed in the full amount due and owing under the DIP Financing Documents and the Final DIP Order. Except to the extent that a holder of a DIP Claim agrees in writing to a different treatment, each holder of a DIP Claim shall receive, in full satisfaction, settlement, release and discharge of, and in exchange for such DIP Claim, Cash in an amount equal to such Claim on the Effective Date. Upon the indefeasible payment in full in cash of all DIP Claims, all Liens and security interests granted pursuant to the DIP Credit Agreement shall be deemed cancelled and shall be of no further force and effect and each Allowed DIP Claim shall be deemed to be fully satisfied, settled, released, and compromised. Pursuant to

the DIP Financing Documents, all payments pursuant to Section 2.4 of the Plan shall be made to the DIP Agent for distribution to the DIP Lenders in accordance with the DIP Financing Documents.

### **SECTION 3. CLASSIFICATION OF CLAIMS AND INTERESTS.**

#### **3.1. *Classification in General.***

A Claim or Interest is placed in a particular Class for all purposes, including voting, confirmation, and distribution under the Plan and under sections 1122 and 1123(a)(1) of the Bankruptcy Code; *provided* that, a Claim or Interest is placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and such Claim or Interest has not been satisfied, released, or otherwise settled prior to the Effective Date.

#### **3.2. *Formation of Debtor Groups for Convenience Only.***

The Plan (including, but not limited to, Section 2 and Section 3 of the Plan) groups the Debtors together solely for the purpose of describing treatment under the Plan, confirmation of the Plan, and distributions to be made in respect of Claims against and Interests in the Debtors under the Plan. Such groupings shall not affect each Debtor's status as a separate legal entity, change the organizational structure of the Debtors' business enterprise, constitute a change of control of any Debtor for any purpose, cause a merger or consolidation of any legal entities, or cause the transfer of any assets. Except as otherwise provided by or permitted under the Plan, all Debtors shall continue to exist as separate legal entities.

#### **3.3. *Summary of Classification.***

The following table designates the Classes of Claims against and Interests in each of the Debtors and specifies which of those Classes are (i) Impaired or Unimpaired by the Plan, (ii) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code and (iii) deemed to reject the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Section 3 of the Plan. All of the potential Classes for the Debtors are set forth in the Plan. Certain of the Debtors may not have holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Section 3.5 of the Plan.

<b>Class</b>	<b>Designation</b>	<b>Treatment</b>	<b>Entitled to Vote</b>
1	Other Priority Claims	Unimpaired	No (presumed to accept)
2	Other Secured Claims	Unimpaired	No (presumed to accept)
3	ABL Claims	Unimpaired	No (presumed to accept)
4	Term Loan B-2 Claim	Unimpaired	No (presumed to accept)
5	Term Loan B-1 Claim	Impaired	Yes (deemed to accept pursuant to Settlement Agreement)
6	General Unsecured Claims	Impaired	Yes
7	Other Equity Interests	Impaired	No (Plan proponents presumed to accept)
8	Existing Clothesline Holdings Interests	Impaired	No (presumed to reject)

**3.4. *Special Provision Governing Unimpaired Claims.***

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Debtors or the Plan Administrator, as applicable, in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to, or setoffs or recoupments against, any such Unimpaired Claims.

**3.5. *Elimination of Vacant Classes.***

Any Class of Claims or Interests that, as of the commencement of the Confirmation Hearing, does not have at least one holder of a Claim or Interest that is Allowed in an amount greater than zero for voting purposes shall be considered vacant, deemed eliminated from the Plan for purposes of voting to accept or reject the Plan, and disregarded for purposes of determining whether the Plan satisfies section 1129(a)(8) of the Bankruptcy Code with respect to that Class.

**3.6. *Voting Classes; Presumed Acceptance by Non-Voting Classes.***

If a Class contains Claims or Interests eligible to vote and no holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Plan, the Debtors shall request the Bankruptcy Court at the Confirmation Hearing to deem the Plan accepted by the holders of such Claims or Interests in such Class.

**3.7. *Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of Bankruptcy Code.***

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Section 14.4 of the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification, including by modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules.

**SECTION 4. TREATMENT OF CLAIMS AND INTERESTS.**

**4.1. Other Priority Claims (Class 1).**

(a) *Classification:* Class 1 consists of Allowed Other Priority Claims against the Debtors.

(b) *Treatment:* Except to the extent that a holder of an Allowed Other Priority Claim against any of the Debtors has agreed to less favorable treatment of such Claim, each such holder shall receive, in full and final satisfaction of such Claim, Cash in an amount equal to such Claim, payable on the later of the Effective Date and the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, or as soon as reasonably practical thereafter; *provided, however*, that Other Priority Claims that arise in the ordinary course of the Debtors' business and which are not due and payable on or before the Effective Date shall be paid in the ordinary course of business in accordance with the terms thereof.

(c) *Voting:* Class 1 is Unimpaired, and the holders of Other Priority Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Other Priority Claims are not entitled to vote to accept or reject the Plan.

**4.2. Other Secured Claims (Class 2).**

(a) *Classification:* Class 2 consists of Other Secured Claims. To the extent that Other Secured Claims are secured by different collateral or different interests in the same collateral, such Claims shall be treated as separate subclasses of Class 2.

(b) *Treatment:* Except to the extent that a holder of an Allowed Other Secured Claim against any of the Debtors has agreed to less favorable treatment of such Claim, each holder of an Allowed Other Secured Claim shall receive, at the option of the Debtors or the Plan Administrator, (i) payment in full in Cash in full and final satisfaction of such Claim, payable on the later of the Effective Date and the date on which such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon as reasonably practical thereafter, (ii) delivery of the collateral securing such Allowed Other Secured Claim and payment of any interest required under section 506(b) of the Bankruptcy Code, or (iii) such other treatment necessary to satisfy section 1129 of the Bankruptcy Code; *provided, however*, that Other Secured Claims incurred by the Debtors in the ordinary course of business may be paid in the ordinary course of business in accordance with such applicable terms and conditions relating thereto. Nothing in this Plan shall preclude the Debtors or the Plan Administrator, as applicable, from challenging the validity of any alleged Lien or any asset of the Debtors or the value of the property that secures any alleged Lien allegedly securing an Allowed Other Secured Claim.

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

**4.3. ABL Claims (Class 3).**

(a) *Classification:* Class 3 consists of the ABL Claims.

(b) *Treatment:* To the extent any Allowed ABL Claims are outstanding on the Effective Date, each holder of an outstanding Allowed ABL Claim shall receive, except to the extent that a holder of an Allowed ABL Claim has agreed to less favorable treatment of such Claim, payment in

full in Cash of such holder's Allowed ABL Claim in full and final satisfaction of such Allowed ABL Claim or such other treatment rendering such holders' Allowed ABL Claim Unimpaired.

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

4.4. ***Term Loan B-2 Claim (Class 4).***

(a) *Classification:* Class 4 consists of the Term Loan B-2 Claim.

(b) *Treatment:* To the extent any amount of the Allowed Term Loan B-2 Claim is outstanding on the Effective Date, the holder of the Allowed Term Loan B-2 Claim shall receive, except to the extent that the holder of an Allowed Term Loan B-2 Claim has agreed to less favorable treatment of such Claim, payment in full in Cash of such holder's Allowed Term Loan B-2 Claim in full and final satisfaction of such Allowed Term Loan B-2 Claim or such other treatment rendering such holder's Allowed Term Loan B-2 Claim Unimpaired.

(c) *Voting:* Class 4 is Unimpaired, and the holder of the Term Loan B-2 Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the holder of the Term Loan B-2 Claim is not entitled to vote to accept or reject the Plan.

4.5. ***Term Loan B-1 Claim (Class 5).***

(a) *Classification:* Class 5 consists of the Term Loan B-1 Claim.

(b) *Treatment:* To the extent any amount of the Allowed Term Loan B-1 Claim is outstanding on the Effective Date, the holder of the Allowed Term Loan B-1 Claim shall release any Term Loan B-1 Collateral remaining in the Debtors' Estates after the consummation of the Sale Transaction to the Debtors' Estates, and shall waive all Liens that the holder of the Allowed Term Loan B-1 Claim possesses on the Term Loan B-1 Collateral. Pursuant to the Settlement Agreement and this Plan, KKR retains the right to vote its Term Loan B-1 Deficiency Claim in Class 6 General Unsecured Claims in favor of the Plan, and pursuant to the Settlement Agreement, is deemed to have voted such Claim in favor of the Plan in Class 6 General Unsecured Claims. Notwithstanding the foregoing, KKR waives and releases its right to a distribution under the Plan on account of such Term Loan B-1 Deficiency Claim. For the avoidance of doubt, under the Plan, any recoveries realized from Causes of Action shall be allocated *pro rata* among all Allowed General Unsecured Claims, excluding KKR's Term Loan B-1 Deficiency Claim.

(c) *Voting:* Class 5 is Impaired, and the holder of the Allowed Term Loan B-1 Claim is deemed to have voted to accept the Plan by operation of the Settlement Agreement.

4.6. ***General Unsecured Claims (Class 6).***

(a) *Classification:* Class 6 consists of General Unsecured Claims against the Debtors.

(b) *Treatment:* On the Effective Date, or as soon thereafter as is reasonably practicable, except to the extent that a holder of an Allowed General Unsecured Claim agrees to less favorable treatment of such Allowed General Unsecured Claim or has been paid before the Effective

Date, each holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction of such Claim, its Pro Rata share of (i) the General Unsecured Claims Recovery Amount, (ii) the proceeds from any asset sales, settlements of Causes of Action, or investments of Cash executed by the Plan Administrator after the Effective Date in accordance with the authorities granted to the Plan Administrator pursuant to Section 5.2 of the Plan, and (iii) the Creditor Recovery Trust Interests (if the Creditor Recovery Trust is created pursuant to Section 10 of the Plan at the time of such distribution; if the Creditor Recovery Trust is later formed, each holder shall receive its Pro Rata share of the Creditor Recovery Trust Interests at such time). In no event shall the holder of a General Unsecured Claim receive distributions on account of such Claim in excess of the Allowed amount of such Claim.

(c) *Voting:* Class 6 is Impaired, and holders of Allowed General Unsecured Claims in Class 6 are entitled to vote to accept or reject the Plan.

**4.7. *Other Equity Interests (Class 7).***

(a) *Classification:* Class 7 consists of Other Equity Interests.

(b) *Treatment:* Other Equity Interests of any Debtor shall be cancelled if and when such Debtor is dissolved in accordance with Section 6.2 of the Plan. Each holder of an Other Equity Interest shall neither receive nor retain any property of the Estate or direct interest in property of the Estate of the Debtor on account of such Other Equity Interest; *provided* that, in the event that all Allowed Claims against such Debtor have been satisfied in full in accordance with the Bankruptcy Code and the Plan, each holder of an Other Equity Interest in such Debtor may receive its ratable share of any remaining assets of such Debtor.

(c) *Voting:* Class 7 is Impaired by the Plan. As proponents of the Plan, the holders of Other Equity Interests in Class 7 are conclusively presumed to accept the Plan.

**4.8. *Existing Clothesline Holdings Interests (Class 8).***

(a) *Classification:* Class 8 consists of Existing Clothesline Holdings Interests.

(b) *Treatment:* Existing Clothesline Holdings Interests shall be cancelled if and when Clothesline Holdings is dissolved in accordance with Section 6.2 of the Plan. Each holder of an Existing Clothesline Holdings Interest shall neither receive nor retain any property of the Estate or direct interest in property of the Estate of Clothesline Holdings on account of such Existing Clothesline Holdings Interest; *provided* that, in the event that all Allowed Claims against Clothesline Holdings have been satisfied in full in accordance with the Bankruptcy Code and the Plan, each holder of an Existing Clothesline Holdings Interest may receive its Pro Rata Share of any remaining assets of Clothesline Holdings.

(c) *Voting:* Class 8 is Impaired by the Plan, and the holders of the Allowed Existing Clothesline Holdings Interests are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. The holders of Existing Clothesline Holdings Interests are not entitled to vote to accept or reject the Plan.

## SECTION 5. MEANS FOR IMPLEMENTATION.

### 5.1. *Joint Chapter 11 Plan.*

The Plan is a joint chapter 11 plan for each of the Debtors, with the Plan for each Debtor being non-severable and mutually dependent on the Plan for each other Debtor.

### 5.2. *Plan Administrator.*

(a) *Appointment.* The Creditors' Committee shall appoint the Plan Administrator as the sole officer for each of the Debtors for all purposes and in all respects no later than five days before the Voting Deadline. The Plan Administrator's retention shall commence on the Effective Date and shall continue until: (i) the Bankruptcy Court enters an order closing the Chapter 11 Cases and the Debtors are dissolved; (ii) the Bankruptcy Court enters an order removing the Plan Administrator for cause (as defined below); or (iii) the Plan Administrator voluntarily resigns, upon notice to the Plan Oversight Committee and filed with the Bankruptcy Court, and the Plan Oversight Committee appoints a successor.

(b) *Authority.* Subject to Section 6 of the Plan, the Plan Administrator shall have the authority and right on behalf of each of the Debtors, without the need for Bankruptcy Court approval (unless otherwise indicated), to carry out and implement all provisions of the Plan, including, without limitation, to:

(i) except to the extent Claims have been previously Allowed, control and effectuate the Claims reconciliation process, including to object to, seek to subordinate, compromise or settle any and all Claims against the Debtors;

(ii) make distributions to holders of Allowed Claims (excluding the Term Loan B-1 Deficiency Claim) in accordance with the Plan from the General Unsecured Claims Recovery Amount, net of expenses;

(iii) exercise its reasonable business judgment to direct and control the wind down, liquidation, sale and/or abandoning of the remaining assets of the Debtors under the Plan and in accordance with applicable law as necessary to maximize distributions to holders of Allowed Claims, *provided* that, the wind down, liquidation, sale and/or abandoning of the Creditor Recovery Trust Assets shall be under the authority of the Creditor Recovery Trustee in accordance with Section 10.2 of the Plan, but only to the extent the Creditor Recovery Trust is established;

(iv) prosecute all Causes of Action on behalf of the Debtors, elect not to pursue any Causes of Action, and determine whether and when to compromise, settle, abandon, dismiss, or otherwise dispose of any such Causes of Action, as the Plan Administrator may determine is in the best interests of the Debtors; *provided* that, to the extent Causes of Action are transferred to the Creditor Recovery Trust, the Creditor Recovery Trustee shall have authority over the resolution of such Causes of Action in accordance with Section 10.2 of the Plan;

(v) make payments to professionals retained by the Debtors as of the Confirmation Date who will continue to perform in their current capacities;

(vi) retain professionals to assist in performing its duties under the Plan;



- (vii) maintain the books and records and accounts of the Debtors;
  - (viii) invest Cash of the Debtors, including any Cash proceeds realized from the liquidation of any assets of the Debtors, including any Causes of Action, and any income earned thereon; *provided* that, to the extent Cash is transferred to the Creditor Recovery Trust, the Creditor Recovery Trustee shall have authority to invest such Cash in accordance with Section 10.6 of the Plan;
  - (ix) incur and pay reasonable and necessary expenses in connection with the performance of duties under the Plan, including the reasonable fees and expenses of professionals retained by the Plan Administrator;
  - (x) administer each Debtor's tax obligations, including (a) filing tax returns and paying tax obligations, (b) requesting, if necessary, an expedited determination of any unpaid tax liability of each Debtor or its estate under section 505(b) of the Bankruptcy Code for all taxable periods of such Debtor ending after the Commencement Date through the liquidation of such Debtor as determined under applicable tax laws, and (c) representing the interest and account of each Debtor or its estate before any taxing authority in all matters including, without limitation, any action, suit, proceeding or audit;
  - (xi) prepare and file any and all informational returns, reports, statements, returns or disclosures relating to the Debtors that are required under the Plan, by any Governmental Unit or applicable law;
  - (xii) determine whether to establish the Creditor Recovery Trust for the assets of the Debtors pursuant to Section 10 of the Plan;
  - (xiii) if the Creditor Recovery Trust is established, appoint the Creditor Recovery Trustee and transfer the Creditor Recovery Trust Assets to the Creditor Recovery Trust; *provided* that, the Plan Administrator shall retain sufficient Cash to pay any professional fees reasonably necessary to wind down the Debtors' Estates in accordance with Section 5.2(b)(ix) of the Plan;
  - (xiv) pay statutory fees in accordance with Section 14.1 of the Plan;
- and
- (xv) perform other duties and functions that are consistent with the implementation of the Plan.
- (c) *Compensation/Reimbursement of Expenses.* The Plan Administrator shall record and bill its time spent as Plan Administrator at its normal hourly rate as disclosed in the Plan Supplement. The Plan Administrator shall be entitled to reimbursement for reasonable expenses incurred in the course of rendering services to the Debtors under the Plan, to be paid within 10 days following the delivery of an invoice to the Debtors reasonably describing such expenses.
- (d) *Plan Administrator Funding.* On the Effective Date or as soon as reasonably practicable thereafter, the Debtors shall make the General Unsecured Claims Recovery Amount available for use by the Plan Administrator and/or to fund the activities of the Creditor Recovery Trust.

### 5.3. *Plan Oversight Committee*

The Creditors' Committee shall appoint the Plan Oversight Committee, which shall be comprised of three members of the Creditors' Committee, to serve as the initial directors of the Debtors after the Effective Date for all purposes and in all respects no later than five days before the Voting Deadline. The Plan Oversight Committee's retention shall commence on the Effective Date and shall continue until all payments are made to holders of Allowed Claims under this Plan. In the event of the death or resignation of any member of the Plan Oversight Committee, such committee's remaining members shall be entitled to designate a successor member from among the holders of Allowed General Unsecured Claims. If a Plan Oversight Committee member assigns its Claim in full or releases the Debtors from payment of the balance of its Claim, such act shall constitute a resignation from the Plan Oversight Committee. Until a vacancy on the Plan Oversight Committee is filled, such committee shall function in its reduced number.

Promptly following the establishment of the Plan Oversight Committee, the Plan Oversight Committee shall enact bylaws governing its operating procedures and related matters, as deemed appropriate in the Plan Oversight Committee's sole discretion. While decision making authority will reside with the Plan Administrator, the Plan Administrator will meet and/or consult with the Plan Oversight Committee periodically and the Plan Oversight Committee will have standing to seek the removal of the Plan Administrator and appoint his successor for "cause." As used in this Section, "cause" means a judicial determination that the Plan Administrator has engaged in actual fraud, gross negligence, or willful misconduct, or has otherwise materially and substantially failed to discharge his duties under this Plan, and such material and substantial failure has continued for 30 days following the Plan Administrator's receipt of written notice specifically asserting such failures. The Plan Administrator may also voluntarily resign, upon notice filed with the Bankruptcy Court and served upon the Plan Oversight Committee; *provided, however*, that no voluntary resignation by the Plan Administrator shall be effective until a successor has been appointed by the Plan Oversight Committee. If the Plan Administrator is removed for cause, voluntarily resigns, or is otherwise unable to serve, the Plan Oversight Committee shall, upon notice filed with the Bankruptcy Court, appoint a qualified individual to replace the Plan Administrator.

Members of the Plan Oversight Committee shall be entitled to reimbursement of reasonable and necessary expenses incurred in carrying out their duties as members of the Plan Oversight Committee, all of which shall be paid from the General Unsecured Claims Recovery Amount. Following all payments being made to holders of Allowed Claims under this Plan, the Plan Oversight Committee shall be dissolved and the members thereof shall be released from any and all further authority, duties, responsibilities, and obligations related to their service as Plan Oversight Committee members.

### 5.4. *No Liability*

The Plan Administrator, the Plan Oversight Committee, the Plan Oversight Committee's members, and their respective employees, professionals, agents, and representatives shall not be liable for the act or omission of any other member, employee, professional, agent, or representative of the Plan Administrator or the Plan Oversight Committee, nor shall they be liable for any act or omission taken or omitted to be taken in their respective capacities, other than acts or omissions constituting actual fraud, gross negligence, or willful misconduct. The Plan Administrator and Plan Oversight Committee shall be entitled to consult with attorneys, accountants, financial advisors, and other agents and representatives, and shall not be liable for any act taken or omitted to be taken in accordance with advice rendered by such entities. Notwithstanding the foregoing, the Plan Administrator and Plan Oversight Committee shall not be under any obligation to consult with attorneys, accountants, financial advisors, or other agents or

representatives, and their determination not to do so shall not result in the imposition of liability, unless such determination constitutes actual fraud, gross negligence, or willful misconduct.

**5.5. *Indemnification***

The Debtors and their Estates, to the extent still in existence, shall indemnify and hold harmless the Plan Administrator, the Plan Oversight Committee, the Plan Oversight Committee's members, and their respective employees, professionals, agents, and representatives, in each case in their capacity as such, from and against any and all liabilities, losses, damages, claims, costs, and expenses, including, but not limited to, attorneys' fees and expenses, arising out of or due to their acts or omissions related to the performance of their duties under this Plan; provided, however, that no such indemnification shall be made to such entities for such acts or omissions constituting actual fraud, gross negligence, or willful misconduct.

**5.6. *Other Transactions.***

In the discretion of the Debtors and the Plan Administrator, after the Effective Date, the Debtors and the Plan Administrator may (i) cause any or all of the Debtors to be liquidated or merged into one or more of the other Debtors or dissolved all as more specifically described in the Plan Supplement, (ii) cause the transfer of assets between or among the Debtors, (iii) engage in any other transaction in furtherance of the Plan. Any such transactions may be effective as of the Effective Date pursuant to the Confirmation Order without any further action by the stockholders or directors of any of the Debtors.

**5.7. *Corporate Action.***

Upon the Effective Date, by virtue of the solicitation of votes in favor of the Plan and entry of the Confirmation Order, all actions contemplated by the Plan (including any action to be undertaken by the Plan Administrator) shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by holders of Claims or Interests, the Debtors, or any other Entity or Person. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the Debtors in connection therewith, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Debtors or the Estates.

**5.8. *Withholding and Reporting Requirements.***

(a) *Withholding Rights.* In connection with the Plan, any party issuing any instrument or making any distribution described in the Plan shall comply with all applicable withholding and reporting requirements imposed by any federal, state, or local taxing authority, and all distributions pursuant to the Plan and all related agreements shall be subject to any such withholding or reporting requirements. Notwithstanding the foregoing, each holder of an Allowed Claim or any other Person that receives a distribution pursuant to the Plan shall have responsibility for any taxes imposed by any Governmental Unit, including, without limitation, income, withholding, and other taxes, on account of such distribution. Any party issuing any instrument or making any distribution pursuant to the Plan has the right, but not the obligation, to not make a distribution until such holder has made arrangements satisfactory to such issuing or disbursing party for payment of any such tax obligations.

(b) *Forms.* Any party entitled to receive any property as an issuance or distribution under the Plan shall, upon request, deliver to the Plan Administrator or such other Person designated by the Plan Administrator (which entity shall subsequently deliver to the Plan Administrator or such other Person any applicable IRS Form W-8 or Form W-9 received) an appropriate Form W-9 or

(if the payee is a foreign Person) Form W-8, unless such Person is exempt under the tax code and so notifies the Plan Administrator or such other Person. If such request is made by the Plan Administrator or such other Person designated by the Plan Administrator and the holder fails to comply before the date that is 180 days after the request is made, the amount of such distribution shall irrevocably revert to the Debtors and any Claim in respect of such distribution shall be discharged and forever barred from assertion against any Debtor and its respective property.

**5.9. *Exemption From Certain Transfer Taxes.***

To the maximum extent provided by section 1146(a) of the Bankruptcy Code, any post-Confirmation sale by any Debtor, or any transfer from any Entity pursuant to, in contemplation of, or in connection with the Plan or pursuant to: (i) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtors; or (ii) 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 instruments 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, or other similar tax or governmental assessment, in each case to the extent permitted by applicable bankruptcy law, and the appropriate state or local government officials or agents shall forego 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 or governmental assessment.

**5.10. *Effectuating Documents; Further Transactions.***

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

**5.11. *Preservation of Rights of Action.***

Other than specific, identified Causes of Action against an Entity that are waived, relinquished, exculpated, released, compromised, or settled in the Plan or by a Bankruptcy Court order, the Debtors reserve any and all Causes of Action. On and after the Effective Date, the Plan Administrator may pursue such Causes of Action in its sole discretion. 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 them as any indication that the Debtors or the Plan Administrator will not pursue any and all available Causes of Action against them. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation. Prior to the Effective Date, the Debtors, and on and after the Effective Date, the Plan Administrator, shall retain and shall have, including through its authorized agents or representatives, the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court. Notwithstanding anything contained in the Plan to the contrary, the settlement of any Claims and Causes of Action which are expressly to be settled by Confirmation of the Plan itself shall be resolved only by Confirmation of the Plan itself.

**5.12. Closing of the Chapter 11 Cases.**

After the Chapter 11 Case of a Debtor has been fully administered, the Plan Administrator shall promptly seek authority from the Bankruptcy Court to close such Debtor's Chapter 11 Case in accordance with the Bankruptcy Code and the Bankruptcy Rules.

**5.13. Deemed Substantive Consolidation.**

The Plan shall serve as a motion by the Debtors seeking entry of a Bankruptcy Court order deeming the substantive consolidation of the Debtors' Estates into a single Estate for certain limited purposes related to the Plan, including voting, confirmation, and distribution. As a result of the deemed substantive consolidation of the Estates, each Class of Claims and Interests shall be treated as against a single consolidated Estate without regard to the separate legal existence of the Debtors. The Plan shall not result in the merger or otherwise affect the separate legal existence of each Debtor, other than with respect to voting and distribution rights under the Plan, and otherwise in satisfying the applicable requirements of section 1129 of the Bankruptcy Code.

**SECTION 6. CORPORATE GOVERNANCE.**

**6.1. Corporate Form.**

On the Effective Date, each of the Debtors shall maintain its current corporate form.

**6.2. Corporate Existence.**

After the Effective Date, the Plan Administrator may decide to (i) maintain each Debtor as a corporation in good standing until such time as all aspects of the Plan pertaining to such Debtor have been completed, or (ii) at such time as the Plan Administrator considers appropriate and consistent with the implementation of the Plan pertaining to such Debtor dissolve such Debtor (including the cancellation of all Interests in the Debtor pursuant to the Confirmation Order) and complete the winding up of such Debtor without the necessity for any other or further actions to be taken by or on behalf of such dissolving Debtor or its shareholders or any payments to be made in connection therewith subject to the filing of a certificate of dissolution with the appropriate governmental authorities (including, without limitation, the transfer of all or part of the assets of such Debtor to the Creditor Recovery Trust in accordance with Section 10 of the Plan, but only to the extent the Creditor Recovery Trust is established); *provided, however*, that the foregoing does not limit the Plan Administrator's ability to otherwise abandon an interest in a Debtor Affiliate.

**6.3. Wind Down.**

After the Effective Date, pursuant to the Plan, the Plan Administrator shall wind-down, sell and otherwise liquidate assets of the Debtors in accordance with Section 5.2(b)(iii) of the Plan. The wind-down, sale and liquidation of the Debtor's assets (as determined for federal income tax purposes) shall occur over a period of no more than three years after the Effective Date (it being understood that such liquidation may include the transfer of all or part of the assets of such Debtor to the Creditor Recovery Trust within the meaning of Treas. Reg. § 301.7701-4 and in accordance with Section 10 of the Plan); *provided* that, the wind-down and liquidation may extend over a longer period of time if the Debtors receive a private letter ruling or other equivalent guidance from the IRS from which the Plan Administrator reasonably concludes that the continued wind-down and liquidation should not result in a reduction or limitation of the Debtors' tax attributes for federal income tax purposes that materially impairs the expected actual use of such tax attributes.

6.4. ***Certificate of Incorporation and By-Laws.***

As of the Effective Date, the certificate of incorporation and by-laws of each Debtor shall be amended to the extent necessary to carry out the provisions of the Plan. The amended certificate and by-laws of such Debtor (if any) shall be contained in the Plan Supplement.

**SECTION 7. DISTRIBUTIONS.**

7.1. ***Distribution Record Date.***

As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors or their respective agents, shall be deemed closed, and there shall be no further changes in the record of holders of any of the Claims or Interests. The Debtors or the Plan Administrator shall have no obligation to recognize any transfer of the Claims or Interests occurring on or after the Distribution Record Date.

7.2. ***Date of Distributions.***

Except as otherwise provided in the Plan, the Debtors shall make the Initial Distribution to holders of Allowed Claims no later than the Initial Distribution Date and thereafter, the Debtors shall from time to time determine the subsequent Distribution Dates. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

The Plan Administrator shall reserve an amount sufficient to pay holders of Disputed Claims the amount such holders would be entitled to receive under the Plan if such Claims were to become Allowed Claims. In the event the holders of Allowed Claims have not received payment in full on account of their Claims after the resolution of all Disputed Claims, then the Plan Administrator shall make a final distribution to all holders of Allowed Claims.

Notwithstanding anything to the contrary in the Plan, no holder of an Allowed Claim shall, on account of such Allowed Claim, receive a distribution in excess of the Allowed amount of such Claim plus any interest accruing on such Claim that is actually payable in accordance with the Plan.

7.3. ***Delivery of Distributions.***

In the event that any distribution to any holder is returned as undeliverable, no distribution to such holder shall be made unless and until the Debtors or the Plan Administrator, as applicable, has determined the then current address of such holder, at which time such distribution shall be made to such holder without interest; *provided* that, such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of six months from the date the Initial Distribution is made. After such date, all unclaimed property or interests in property shall revert (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary) to the Debtors automatically and without need for a further order by the Bankruptcy Court for distribution in accordance with the Plan and the Claim of any such holder to such property or interest in property shall be released, settled, compromised, and forever barred.

**7.4. *Manner of Payment Under Plan.***

At the option of the Debtors or the Plan Administrator, any Cash payment to be made under the Plan may be made by a check or wire transfer.

**7.5. *Minimum Cash Distributions.***

The Plan Administrator shall not be required to make any payment to any holder of an Allowed Claim on any Distribution Date of Cash less than \$100; *provided* that, if any distribution is not made pursuant to Section 7.5 of the Plan, such distribution shall be added to any subsequent distribution to be made on behalf of the holder's Allowed Claim. The Plan Administrator shall not be required to make any final distributions of Cash less than \$50 to any holder of an Allowed Claim. If either (i) all Allowed Claims (other than those whose distributions are deemed undeliverable under the Plan) have been paid in full or (ii) the amount of any final distributions to holders of Allowed Claims would be \$50 or less and the aggregate amount of Cash available for distributions to holders of Allowed General Unsecured Claims is less than \$25,000, then no further distribution shall be made by the Plan Administrator and any surplus Cash shall be donated and distributed to an I.R.C. § 501(c)(3) tax-exempt organization selected by the Plan Administrator.

**7.6. *Setoffs.***

The Debtors and the Plan Administrator may, but shall not be required to, set off against any Claim, any Claims of any nature whatsoever that the Debtors or the Plan Administrator may have against the holder of such Claim; *provided* that, neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors or the Plan Administrator of any such Claim the Debtors or the Plan Administrator may have against the holder of such Claim.

**7.7. *Distributions After Effective Date.***

Distributions made after the Effective Date to holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

**7.8. *Allocation of Distributions Between Principal and Interest.***

Except as otherwise provided in the Plan, to the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, such distribution shall be allocated to the principal amount (as determined for U.S. federal income tax purposes) of the Claim first, and then to accrued but unpaid interest.

**7.9. *Payment of Disputed Claims.***

As Disputed Claims are resolved pursuant to Section 8 of the Plan, the Plan Administrator shall make distributions on account of such Disputed Claims as if such Disputed Claims were Allowed Claims as of the Effective Date. Such distributions shall be made on the first Distribution Date that is at least 45 days after the date on which a Disputed Claim becomes an Allowed Claim, or on an earlier date selected by the Plan Administrator in the Plan Administrator's sole discretion.

## **SECTION 8. PROCEDURES FOR DISPUTED CLAIMS.**

### **8.1. Allowance of Claims.**

After the Effective Date, the Debtors or the Plan Administrator shall have and shall retain any and all rights and defenses that the Debtors had with respect to any Claim, except with respect to any Claim deemed Allowed under the Plan. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including, without limitation, the Confirmation Order), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including, without limitation, the Confirmation Order, in the Chapter 11 Cases allowing such Claim.

### **8.2. Objections to Claims.**

As of the Effective Date, objections to, and requests for estimation of, Claims against the Debtors may be interposed and prosecuted only by the Plan Administrator. Such objections and requests for estimation shall be served and filed (i) on or before the 120th day following the later of (a) the Effective Date and (b) the date that a proof of Claim is filed or amended or a Claim is otherwise asserted or amended in writing by or on behalf of a holder of such Claim or (ii) such later date as ordered by the Bankruptcy Court upon motion filed by the Plan Administrator.

### **8.3. Estimation of Claims.**

The Plan Administrator may at any time request that the Bankruptcy Court estimate any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or Plan Administrator previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent, unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtors or Plan Administrator, as applicable, may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

### **8.4. No Distributions Pending Allowance.**

If an objection to a Claim is filed as set forth in Section 8 of the Plan, no payment or distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

### **8.5. Resolution of Claims.**

Except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Plan Administrator shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all Claims, Disputed Claims, rights, Causes of Action, suits and proceedings, whether in law or in equity, whether known or unknown, that the



Debtors or their Estates may hold against any Person, without the approval of the Bankruptcy Court, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection with the Plan. The Plan Administrator or its successor may pursue such retained Claims, rights, Causes of Action, suits or proceedings, as appropriate, in accordance with the best interests of the Debtors.

**8.6. *Disallowed Claims.***

All Claims held by persons or entities against whom or which any of the Debtors or the Plan Administrator has commenced a proceeding asserting a Cause of Action under sections 542, 543, 544, 545, 547, 548, 549 and/or 550 of the Bankruptcy Code shall be deemed “disallowed” Claims pursuant to section 502(d) of the Bankruptcy Code and holders of such Claims shall not be entitled to vote to accept or reject the Plan. Claims that are deemed disallowed pursuant to this section shall continue to be disallowed for all purposes until the Avoidance Action against such party has been settled or resolved by Final Order and any sums due to the Debtors or the Plan Administrator from such party have been paid.

**SECTION 9. EXECUTORY CONTRACTS AND UNEXPIRED LEASES.**

**9.1. *Assumption and Assignment of Executory Contracts and Unexpired Leases.***

On the Effective Date, except as otherwise provided in the Plan, each Executory Contract and Unexpired Lease not previously rejected, assumed, or assumed and assigned shall be deemed automatically rejected pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such Executory Contract or Unexpired Lease: (i) is specifically designated on the Schedule of Assumed Contracts and Leases filed with the Plan Supplement; (ii) as of the Effective Date is subject to a pending motion to assume such Unexpired Lease or Executory Contract; (iii) is a contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan; or (iv) is a D&O Policy.

**9.2. *Cure of Defaults for Assumed Executory Contracts and Unexpired Leases.***

Any Cure Obligation due under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment in Cash on the Effective Date, subject to the limitation described below, by the Debtors as an Administrative Expense Claim or by the Purchaser in accordance with the Purchase Agreement, as applicable, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (i) the amount of the Cure Obligation, (ii) the ability of the Estates or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (iii) any other matter pertaining to assumption, the Cure Obligations required by section 365(b)(1) of the Bankruptcy Code shall be satisfied following the entry of a Final Order or orders resolving the dispute and approving the assumption; provided that, depending on whether the Plan Administrator or the Purchaser has the obligation to pay the Cure Obligation, such party may settle any dispute regarding the amount of any Cure Obligation without any further notice to any party or any action, order, or approval of the Bankruptcy Court.

At least 14 days before the Confirmation Hearing, the Debtors shall cause notice of proposed Cure Obligations to be sent to applicable counterparties to the Executory Contracts and Unexpired Leases. Any objection by such counterparty must be filed, served, and actually received by the Debtors not later than 10 days after service of notice of the Debtors’ proposed assumption and

associated Cure Obligation. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed cure amount will be deemed to have assented to such Cure Obligation.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan, or otherwise, shall result in the full release and satisfaction of any Claims or defaults, subject to satisfaction of the Cure Obligations, 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 before the Effective Date of assumption and/or assignment. **Any prepetition default amount set forth in the Schedules and/or any Proofs of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed and assigned shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.**

9.3. *Claims Based on Rejection of Executory Contracts and Unexpired Leases.*

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim based on the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to the Plan or otherwise, must be filed with Bankruptcy Court and served on the Plan Administrator no later than 14 days after the effective date of rejection of such Executory Contract or Unexpired Lease. In addition, any objection to the rejection of an Executory Contract or Unexpired Lease must be filed with the Bankruptcy Court and served on the Debtors, no later than 14 days after notice of the Debtors' proposed rejection of such Executory Contract or Unexpired Lease.

**Any holders of Claims arising from the rejection of an Executory Contract or Unexpired Lease for which Proofs of Claims were not timely filed as set forth in the paragraph above shall not (i) be treated as a creditor with respect to such Claim, (ii) be permitted to vote to accept or reject the Plan on account of any Claim arising from such rejection, or (iii) participate in any distribution in the Chapter 11 Cases on account of such Claim, and any Claims arising from the rejection of an Executory Contract or Unexpired Lease not filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtors, the Plan Administrator, the Estates, or the property for any of the foregoing without the need for any objection by the Plan Administrator or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully compromised, settled, and released, notwithstanding anything in the Schedules or a Proof of Claim to the contrary.** All Allowed Claims arising from the rejection of the Debtors' prepetition Executory Contracts or prepetition Unexpired Leases shall be classified as General Unsecured Claims, except as otherwise provided by order of the Bankruptcy Court.

9.4. *Modifications, Amendments, Supplements, Restatements, or Other Agreements.*

Each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

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.

**9.5. Insurance Policies.**

(a) Each insurance policy, including the D&O Policy, to which the Debtors are a party as of the Effective Date, shall be deemed executory and shall be assumed by the Debtors on behalf of the applicable Debtor effective as of the Effective Date, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such insurance policy previously was assumed and assigned to the Purchaser, was rejected by the Debtors pursuant to a Bankruptcy Court order, or is the subject of a motion to reject pending on the Effective Date, and coverage for defense and indemnity under the D&O Policy shall remain available to all individuals within the definition of “Insured” in the D&O Policy.

(b) In addition, after the Effective Date, all officers, directors, agents, or employees who served in such capacity at any time before the Effective Date shall be entitled to the full benefits of any D&O Policy (including any “tail” policy) in effect or purchased as of the Commencement Date for the full term of such policy regardless of whether such officers, directors, agents, and/or employees remain in such positions after the Effective Date, in each case, to the extent set forth in such policies.

**9.6. Survival of Debtors’ Indemnification Obligations.**

To the fullest extent permitted by applicable law, any obligations of the Debtors pursuant to their corporate charters, by-laws, limited liability company agreements, memorandum and articles of association, or other organizational documents and agreements to indemnify current and former officers, directors, agents, or employees with respect to all present and future actions, suits, and proceedings against the Debtors or such officers, directors, agents, or employees based upon any act or omission for or on behalf of the Debtors shall not be discharged, impaired, or otherwise affected by the Plan; *provided* that, the Debtors shall not indemnify officers, directors, agents, or employees of the Debtors for any claims or Causes of Action arising out of or relating to any act or omission that is a criminal act unless such officer, director, agent, or employee had no reasonable cause to believe its conduct was unlawful, or for any other acts or omissions that are excluded under the terms of the foregoing organizational documents. All such obligations shall be deemed and treated as executory contracts to be assumed by the Debtors under the Plan unless such obligation previously was assumed and assigned to the Purchaser, was rejected by the Debtors pursuant to a Bankruptcy Court order, or is the subject of a motion to reject pending on the Effective Date.

**9.7. *Reservation of Rights.***

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Estates have any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Plan Administrator, as applicable, shall have 30 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided in the Plan.

**SECTION 10. CREDITOR RECOVERY TRUST.**

**10.1. *Execution of Creditor Recovery Trust Agreement.***

After the Effective Date, and only if the Plan Administrator determines that the Creditor Recovery Trust is in the best interests of one or more Debtors and holders of Allowed General Unsecured Claims, the Plan Administrator and the Creditor Recovery Trustee appointed by the Plan Administrator shall execute the Creditor Recovery Trust Agreement, and shall take all other necessary steps to establish the Creditor Recovery Trust and Creditor Recovery Trust Interests therein, which shall be for the benefit of Creditor Recovery Trust Beneficiaries. In the event of any conflict between the terms of Section 10 of the Plan and the terms of the Creditor Recovery Trust Agreement as such conflict relates to the establishment of the Creditor Recovery Trust, the terms of Section 10 of the Plan shall govern. The Creditor Recovery Trust Agreement may provide powers, duties and authorities in addition to those explicitly stated in the Plan, but only to the extent that such powers, duties, and authorities do not affect the status of the Creditor Recovery Trust as a “liquidating trust” for United States federal income tax purposes.

**10.2. *Purpose of Creditor Recovery Trust.***

The Creditor Recovery Trust shall be established for the sole purpose of liquidating and distributing the assets of the Debtor contributed to such Creditor Recovery Trust in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business. The Creditor Recovery Trustee shall exercise its reasonable business judgment to direct and control the wind down, liquidation, sale and/or abandoning of the Creditor Recovery Trust Assets in accordance with applicable law as necessary to maximize distributions to Creditor Recovery Trust Beneficiaries. The Creditor Recovery Trustee shall also prosecute all Causes of Action transferred to the Creditor Recovery Trust, elect not to pursue any such Causes of Action, and determine whether and when to compromise, settle, abandon, dismiss, or otherwise dispose of any such Causes of Action, as the Creditor Recovery Trustee may determine is in the best interests of the Creditor Recovery Trust Beneficiaries.

**10.3. *Creditor Recovery Trust Assets.***

The Creditor Recovery Trust shall consist of Creditor Recovery Trust Assets. After the creation of the Creditor Recovery Trust pursuant to Section 10 of the Plan, the Plan Administrator shall transfer all of the allocable Creditor Recovery Trust Assets to the Creditor Recovery Trust. Creditor Recovery Trust Assets may be transferred subject to certain liabilities, as provided in the Creditor Recovery Trust Agreement. Such transfer shall be exempt from any stamp, real estate transfer, mortgage reporting or other similar tax to which the exemption under section 1146 of the Bankruptcy Code applies.

**10.4. Administration of Creditor Recovery Trust.**

The Creditor Recovery Trust shall be administered by the Creditor Recovery Trustee pursuant to the Creditor Recovery Trust Agreement and the Plan. In the event of an inconsistency between the Plan and the Creditor Recovery Trust Agreement as such conflict relates to anything other than the establishment of the Creditor Recovery Trust, the Creditor Recovery Trust Agreement shall control.

**10.5. Creditor Recovery Trustee's Tax Power for Debtors.**

(a) The Creditor Recovery Trustee of the Creditor Recovery Trust shall be designated as the representative of the respective Debtor all of the remaining assets of which are transferred to such Creditor Recovery Trust in accordance with section 1123(b)(6) of the Bankruptcy Code, and shall have the same authority in respect of all taxes of the Debtor, and to the same extent, as if the Creditor Recovery Trustee were a trustee of the Debtor under section 1106 of the Bankruptcy Code. Accordingly, subject to the Creditor Recovery Trust Agreement, the Creditor Recovery Trustee shall prepare and file (or cause to be prepared and filed) on behalf of such Debtor, all tax returns, reports, certificates, forms, or similar statements or documents (collectively, "Tax Returns") required to be filed by such Debtor or that the Creditor Recovery Trustee otherwise deems appropriate, including the filing of amended Tax Returns or requests for refunds, for all taxable periods ending on, prior to, or after the Effective Date (to the extent otherwise permitted by applicable law).

(b) Each of the Debtors and the Creditor Recovery Trustee shall cooperate fully with each other regarding the implementation of Section 10.5 of the Plan (including the execution of appropriate powers of attorney) and shall make available to the other as reasonably requested all information, records, and documents relating to taxes governed by Section 10.5 of the Plan until the expiration of the applicable statute of limitations or extension thereof or at the conclusion of all audits, appeals, or litigation with respect to such taxes. Without limiting the generality of the foregoing, the applicable Debtor shall execute on or prior to the transfer of its remaining assets to the Creditor Recovery Trust a power of attorney authorizing the Creditor Recovery Trustee to correspond, sign, collect, negotiate, settle, and administer tax payments and Tax Returns for the taxable periods described in Section 10.5(a) of the Plan.

(c) The Debtors and the Creditor Recovery Trustee on behalf of the Debtor for whom it is the designated representative under Section 10.5(a) shall have the right to request an expedited determination of the tax liability, if any, under section 505(b) of the Bankruptcy Code with respect to any tax returns filed, or to be filed, for any and all taxable periods ending after the Commencement Date through the liquidation of such Debtor.

**10.6. Cash Investments.**

The Creditor Recovery Trustee may invest Cash (including any earnings thereon or proceeds therefrom) transferred to the Creditor Recovery Trust; *provided* that, such investments are investments permitted to be made by a "liquidating trust" within the meaning of Treas. Reg. § 301.7701-4(d), as reflected therein, or under applicable IRS guidelines, rulings or other controlling authorities.

**10.7. Distribution of Creditor Recovery Trust Interests.**

The Creditor Recovery Trustee is required to distribute to the holders of Creditor Recovery Trust Interests, on a semi-annual basis, all Available Cash (including any Cash received from the Debtors and treating any permissible investment as Cash for purposes of Section 10.7 of the Plan),

less such amounts that may be reasonably necessary to (i) meet contingent liabilities and to maintain the value of the Creditor Recovery Trust Assets during liquidation, (ii) pay reasonably incurred or anticipated expenses (including, without limitation, any taxes imposed on or payable by the Debtors or Creditor Recovery Trust or in respect of the Creditor Recovery Trust Assets), or (iii) satisfy other liabilities incurred or anticipated by such Creditor Recovery Trust in accordance with the Plan or Creditor Recovery Trust Agreement; *provided* that, such Creditor Recovery Trustee shall not be required to make a distribution pursuant to Section 10.7 of the Plan if such Creditor Recovery Trustee determines that the expense associated with making the distribution would likely utilize a substantial portion of the amount to be distributed, thus making the distribution impracticable.

**10.8. *Federal Income Tax Treatment of Creditor Recovery Trust.***

Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt of an adverse determination by the IRS upon audit if not contested by such Creditor Recovery Trustee), for all United States federal income tax purposes, all parties (including, without limitation, the Debtors, the Creditor Recovery Trustee and Creditor Recovery Trust Beneficiaries) shall treat the transfer of Creditor Recovery Trust Assets to the Creditor Recovery Trust as (i) a transfer of Creditor Recovery Trust Assets (subject to any obligations relating to those assets) directly to Creditor Recovery Trust Beneficiaries (other than to the extent Creditor Recovery Trust Assets are allocable to Disputed Claims), followed by (ii) the transfer by such beneficiaries to the Creditor Recovery Trust of Creditor Recovery Trust Assets in exchange for the related Creditor Recovery Trust Interests. Accordingly, except in the event of contrary definitive guidance, Creditor Recovery Trust Beneficiaries shall be treated for United States federal income tax purposes as the grantors and owners of their respective share of Creditor Recovery Trust Assets (other than such Creditor Recovery Trust Assets as are allocable to Disputed Claims). The foregoing treatment shall also apply, to the extent permitted by applicable law, for state and local income tax purposes. For the purpose of Section 10.8 of the Plan, the terms “party” and “Creditor Recovery Trust Beneficiary” shall not include the United States or any agency or department thereof, or any officer or employee thereof acting in such capacity.

**10.9. *Tax Reporting.***

(a) The Creditor Recovery Trustee shall file tax returns for the Creditor Recovery Trust treating such Creditor Recovery Trust as a grantor trust pursuant to Treas. Reg. § 1.671-4(a) and in accordance with Section 10.9 of the Plan. The Creditor Recovery Trustee also shall annually send to each holder of a Creditor Recovery Trust Interest a separate statement regarding the receipts and expenditures of the Creditor Recovery Trust as relevant for U.S. federal income tax purposes.

(b) Allocations of Creditor Recovery Trust taxable income among Creditor Recovery Trust Beneficiaries (other than taxable income allocable to any assets allocable to, or retained on account of, Disputed Claims, if such income is otherwise taxable at the Creditor Recovery Trust) shall be determined by reference to the manner in which an amount of Cash representing such taxable income would be distributed (were such Cash permitted to be distributed at such time) if, immediately prior to such deemed Distribution, the Creditor Recovery Trust had distributed all its assets (valued at their tax book value, other than, if applicable, assets allocable to Disputed Claims) to the holders of Creditor Recovery Trust Interests, adjusted for prior taxable income and loss and taking into account all prior and concurrent distributions from the Creditor Recovery Trust. Similarly, taxable loss of the Creditor Recovery Trust shall be allocated by reference to the manner in which an economic loss would be borne immediately after a hypothetical liquidating distribution of the remaining Creditor Recovery Trust Assets. The tax book value of Creditor Recovery Trust Assets for purpose of this paragraph shall equal their fair market value on the date Creditor Recovery Trust Assets are transferred to the Creditor Recovery Trust,

adjusted in accordance with tax accounting principles prescribed by the IRC, the applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements.

(c) As soon as reasonably practicable after Creditor Recovery Trust Assets are transferred to the Creditor Recovery Trust, the Creditor Recovery Trustee shall make a good faith valuation of Creditor Recovery Trust Assets. Such valuation shall be made available from time to time to all parties to the Creditor Recovery Trust (including, without limitation, the Debtors and Creditor Recovery Trust Beneficiaries), to the extent relevant to such parties for tax purposes, and shall be used consistently by such parties for all United States federal income tax purposes.

(d) Subject to definitive guidance from the IRS or a court of competent jurisdiction to the contrary (including the receipt by the Creditor Recovery Trustee of a private letter ruling if such Creditor Recovery Trustee so requests one, or the receipt of an adverse determination by the IRS upon audit if not contested by such Creditor Recovery Trustee), such Creditor Recovery Trustee (i) may timely elect to treat any Creditor Recovery Trust Assets allocable to Disputed Claims as a “disputed ownership fund” governed by Treas. Reg. § 1.468B-9, and (ii) to the extent permitted by applicable law, shall report consistently for state and local income tax purposes. If a “disputed ownership fund” election is made, all parties (including such Creditor Recovery Trustee, the Debtors and Creditor Recovery Trust Beneficiaries) shall report for United States federal, state and local income tax purposes consistently with the foregoing.

(e) The Creditor Recovery Trustee shall be responsible for payment, out of the respective Creditor Recovery Trust Assets, of any taxes imposed on the respective Creditor Recovery Trust or its assets.

(f) The Creditor Recovery Trustee may request an expedited determination of taxes of the Creditor Recovery Trust, including any reserve for Disputed Claims, or of the Debtor as to whom the Creditor Recovery Trust was established, under section 505(b) of the Bankruptcy Code for all tax returns filed for, or on behalf of, such Creditor Recovery Trust or the Debtor for all taxable periods through the dissolution of such Creditor Recovery Trust.

#### **10.10. *Costs and Expenses of Creditor Recovery Trust.***

As more fully set forth in and subject to the Creditor Recovery Trust Agreement, the costs and expenses of the Creditor Recovery Trust, including, without limitation, the reasonable fees and expenses of the Creditor Recovery Trustee and its retained professionals, and the fees and expenses incurred in connection with the prosecution and settlement of any Claims or Causes of Action, shall be paid out of the Creditor Recovery Trust Assets.

#### **10.11. *Dissolution.***

(a) The Creditor Recovery Trustee and Creditor Recovery Trust shall be discharged or dissolved, as the case may be, at such time as (i) all of the Creditor Recovery Trust Assets have been distributed pursuant to the Plan and the Creditor Recovery Trust Agreement, (ii) the Creditor Recovery Trustee determines, in its sole discretion, that the administration of any remaining Creditor Recovery Trust Assets is not likely to yield sufficient additional Creditor Recovery Trust proceeds to justify further pursuit, or (iii) all distributions required to be made by the Creditor Recovery Trustee under the Plan and the Creditor Recovery Trust Agreement have been made; *provided that*, in no event shall the Creditor Recovery Trust be dissolved later than three years from the creation of such Creditor Recovery Trust pursuant to Section 10 of the Plan unless the Bankruptcy Court, upon motion within the six-month period prior to the Creditor Recovery Trust’s third anniversary (or within the six-month period prior to the

end of an extension period), determines that a fixed period extension (not to exceed three years, together with any prior extensions, without a favorable private letter ruling from the IRS or an opinion of counsel satisfactory to the Creditor Recovery Trustee that any further extension would not adversely affect the status of the trust as a liquidating trust for United States federal income tax purposes) is necessary to facilitate or complete the recovery and liquidation of the Creditor Recovery Trust Assets.

(b) If at any time the Creditor Recovery Trustee determines, in reliance upon such professionals as the Creditor Recovery Trustee may retain, that the expense of administering the Creditor Recovery Trust so as to make a final distribution to Creditor Recovery Trust Beneficiaries is likely to exceed the value of the assets remaining in such Creditor Recovery Trust, such Creditor Recovery Trustee may apply to the Bankruptcy Court for authority to (i) reserve any amount necessary to dissolve such Creditor Recovery Trust, (ii) donate any balance to a charitable organization (a) described in section 501(c)(3) of the IRC, (b) exempt from United States federal income tax under section 501(a) of the IRC, (c) not a “private foundation”, as defined in section 509(a) of the IRC, and (d) that is unrelated to the Debtors, such Creditor Recovery Trust, and any insider of such Creditor Recovery Trustee, and (iii) dissolve such Creditor Recovery Trust.

#### **SECTION 11. CONDITIONS PRECEDENT TO EFFECTIVE DATE.**

##### **11.1. *Conditions Precedent to Effective Date.***

The occurrence of the Effective Date of the Plan is subject to the following conditions precedent:

(a) the Bankruptcy Court shall have entered an Order approving the Settlement Agreement under Bankruptcy Rule 9019;

(b) the Bankruptcy Court shall have entered the Confirmation Order, the Confirmation Date shall have occurred and the Confirmation Order shall not be subject to any stay;

(c) the Sale Transaction has been consummated;

(d) all actions, documents and agreements necessary to implement and consummate the Plan, including, without limitation, entry into the documents contained in the Plan Supplement, and the transactions and other matters contemplated thereby, shall have been effected or executed;

(e) all governmental and third party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Plan shall have been obtained, not be subject to unfulfilled conditions and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose materially adverse conditions on such transactions; and

(f) all documents and agreements necessary to implement the Plan shall have (i) been tendered for delivery and (ii) been effected or executed by all Entities party thereto, and all conditions precedent to the effectiveness of such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements.



**11.2. *Waiver of Conditions Precedent.***

Each of the conditions precedent in Section 11.1 of the Plan other than the condition set forth in Section 11.1(a) of the Plan may be waived in writing by the Debtors.

**11.3. *Effect of Failure of Conditions to Effective Date.***

Unless otherwise extended by the Debtors, if the Effective Date does not occur on or before September 30, 2017 or if the Confirmation Order is vacated, (i) no distributions under the Plan shall be made, (ii) the Debtors and all holders of Claims and Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred, and (iii) all the Debtors' obligations with respect to the Claims and the Interests shall remain unchanged and nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other entity or to prejudice in any manner the rights of the Debtors or any other entity in any further proceedings involving the Debtors or otherwise.

**SECTION 12. EFFECT OF CONFIRMATION.**

**12.1. *Vesting of Assets.***

On the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all property of the Estates shall vest in the Debtors free and clear of all Claims, liens, encumbrances, charges and other interests, except as provided pursuant to the Plan and the Confirmation Order.

**12.2. *Release of Liens.***

Except as otherwise provided in the Plan 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 fully released, settled, and compromised and all rights, titles, and interests of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Debtors.

**12.3. *Subordinated Claims.***

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

**12.4. *Binding Effect.***

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

**12.5. *Discharge of Claims and Termination of Interests.***

Except as otherwise provided in the Plan, effective as of the Effective Date: (i) the rights afforded in the Plan and the treatment of all Claims and Interests shall be in exchange for and in complete satisfaction, discharge and release of all Claims and Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors or any of their assets, property or Estates; (ii) all Claims and Interests shall be satisfied, discharged and released in full, and the Debtors' liability with respect thereto shall be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (iii) all Entities shall be precluded from asserting against the Debtors, the Estates, the Plan Administrator, their successors and assigns and their assets and properties any other Claims or Interests based upon any documents, instruments or any act or omission, transaction or other activity of any kind or nature that occurred before the Effective Date.

**12.6. *Term of Injunctions or Stays.***

Unless otherwise provided, all injunctions or stays arising under or entered during the Chapter 11 Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the later of the Effective Date and the date indicated in the order providing for such injunction or stay.

**12.7. *Reservation of Causes of Action/Reservation of Rights.***

(a) Except as provided in Sections 12.9 and 12.11 of the Plan, nothing contained in the Plan (including in Section 7.6 of the Plan) or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action of the Debtors or the Debtors' Estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (i) any and all Claims against any Person, to the extent such Person asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtors, the Creditor Recovery Trust, or the Debtors' officers, directors, or representatives and (ii) the turnover of any property of the Debtors' Estates.

(b) Except as set forth in Sections 12.9 and 12.11 of the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any Claim or Cause of Action, which the Debtors or the Debtors' Estates had immediately prior to the Effective Date. The Creditor Recovery Trust, to the extent established, shall retain, reserve, and be entitled to assert all Claims and Causes of Action, and all of the legal and equitable rights of the Debtors or the Debtors' Estates respecting any Claim left Unimpaired by the Plan that may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Cases had not been commenced.

**12.8. *Causes of Action/Avoidance Actions/Objections***

Other than any releases granted herein, in the Confirmation Order or in a Final Order of the Bankruptcy Court from and after the Effective Date, the Plan Administrator or Creditor Recovery Trustee, to the extent the Creditor Recovery Trust is established, shall have the right to prosecute any and all Causes of Action and objections to Claims under sections 105, 502, 510, 542 through 551, and 553 of the Bankruptcy Code or other applicable law that belong to the Debtors or the Debtors' Estates.

**12.9. *Releases by Debtors.***

**EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS PLAN OR THE CONFIRMATION ORDER, AND TO THE FULLEST EXTENT AUTHORIZED BY**

APPLICABLE LAW, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, THE RELEASED PARTIES ARE DEEMED RELEASED AND DISCHARGED BY THE DEBTORS, THEIR ESTATES AND ANY PERSON OR ENTITY SEEKING TO EXERCISE THE RIGHTS OF THE DEBTORS OR THEIR ESTATES AND THEIR RESPECTIVE PROPERTY (AND EACH SUCH RELEASED PARTY SHALL BE DEEMED RELEASED BY EACH DEBTOR AND ITS ESTATE AND THEIR RESPECTIVE PROPERTY) FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, REMEDIES, CAUSES OF ACTION, RIGHTS OF SETOFF, OTHER RIGHTS, AND LIABILITIES WHATSOEVER, WHETHER FOR TORT, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS, AVOIDANCE ACTIONS, INCLUDING ANY DERIVATIVE CLAIMS, ASSERTED OR THAT COULD POSSIBLY HAVE BEEN ASSERTED DIRECTLY OR INDIRECTLY, WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, AND ANY AND ALL CAUSES OF ACTION ASSERTED OR THAT COULD POSSIBLY HAVE BEEN ASSERTED, BASED ON OR IN ANY WAY RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THEIR ESTATES OR THEIR AFFILIATES, THE CONDUCT OF THE DEBTORS' BUSINESSES, THE FORMULATION, PREPARATION, SOLICITATION, DISSEMINATION, NEGOTIATION, OR FILING OF THE DISCLOSURE STATEMENT OR PLAN OR ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH OR PURSUANT TO THE DISCLOSURE STATEMENT, THIS PLAN, THE FILING AND PROSECUTION OF THE CHAPTER 11 CASES, THE PURSUIT OF CONSUMMATION OF THIS PLAN, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THIS PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS, THEIR ESTATES OR THEIR AFFILIATES, ON THE ONE HAND, AND ANY RELEASED PARTY, ON THE OTHER HAND, OR ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE BEFORE THE EFFECTIVE DATE; *PROVIDED* THAT, TO THE EXTENT THAT A CLAIM OR CAUSE OF ACTION IS DETERMINED BY A FINAL ORDER TO HAVE RESULTED FROM FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A RELEASED PARTY, SUCH CLAIM OR CAUSE OF ACTION SHALL NOT BE SO RELEASED AGAINST SUCH RELEASED PARTY; *PROVIDED FURTHER* THAT, THE FOREGOING "DEBTOR RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION OF THE DEBTORS OR THEIR RESPECTIVE CHAPTER 11 ESTATES AGAINST A RELEASED PARTY (OR OF A RELEASED PARTY AGAINST THE DEBTORS AND THEIR RESPECTIVE CHAPTER 11 ESTATES) (I) ARISING UNDER ANY CONTRACTUAL OBLIGATION OWED TO THE DEBTORS THAT IS ENTERED INTO OR ASSUMED PURSUANT TO THE PLAN OR (II) ARISING UNDER THE PURCHASE AGREEMENT; *PROVIDED FURTHER* THAT, REGARDLESS OF WHETHER OR NOT THE BANKRUPTCY COURT APPROVES THE RELEASE OF ANY AND ALL CLAIMS AGAINST THE DEBTORS' DIRECTORS AND OFFICERS AS SET FORTH IN THE PLAN, THE CREDITORS' COMMITTEE AND ANY SUCCESSOR, INCLUDING, BUT NOT LIMITED TO, THE PLAN ADMINISTRATOR AND CREDITOR RECOVERY TRUST (AS WILL BE REFLECTED IN THE CREDITOR RECOVERY TRUST AGREEMENT), HEREBY COVENANTS AND AGREES NOT TO PURSUE SUCH CLAIMS.

12.10. *Releases by Holders of Claims and Interests.*

**EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS PLAN OR THE CONFIRMATION ORDER, AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES SHALL BE DEEMED TO PROVIDE A FULL RELEASE TO THE RELEASED PARTIES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, REMEDIES, CAUSES OF ACTION, RIGHTS OF SETOFF, OTHER RIGHTS, AND LIABILITIES WHATSOEVER, WHETHER FOR TORT, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS, AVOIDANCE ACTIONS, INCLUDING ANY DERIVATIVE CLAIMS, ASSERTED OR THAT COULD POSSIBLY HAVE BEEN ASSERTED DIRECTLY OR INDIRECTLY, WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY, OR OTHERWISE, AND ANY AND ALL CAUSES OF ACTION ASSERTED OR THAT COULD POSSIBLY HAVE BEEN ASSERTED, BASED ON OR IN ANY WAY RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS, THEIR ESTATES OR THEIR AFFILIATES, THE CONDUCT OF THE DEBTORS' BUSINESSES, THE FORMULATION, PREPARATION, SOLICITATION, DISSEMINATION, NEGOTIATION, OR FILING OF THE DISCLOSURE STATEMENT OR PLAN OR ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH OR PURSUANT TO THE DISCLOSURE STATEMENT, THIS PLAN OR THE PURCHASE AGREEMENT, THE FILING AND PROSECUTION OF THE CHAPTER 11 CASES, THE PURSUIT OF CONSUMMATION OF THE PURCHASE AGREEMENT AND THIS PLAN, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THIS PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE RELEASING PARTIES, ON THE ONE HAND, AND ANY RELEASED PARTY, ON THE OTHER HAND, OR ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE BEFORE THE EFFECTIVE DATE; *PROVIDED THAT*, TO THE EXTENT THAT A CLAIM OR CAUSE OF ACTION IS DETERMINED BY A FINAL ORDER TO HAVE RESULTED FROM FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF A RELEASED PARTY, SUCH CLAIM OR CAUSE OF ACTION SHALL NOT BE SO RELEASED AGAINST SUCH RELEASED PARTY.**

12.11. *Exculpation.*

The Exculpated Parties shall neither have, nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with the Chapter 11 Cases, or related to formulating, negotiating, soliciting, preparing, disseminating, confirming, or implementing the Plan or consummating the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring or liquidation of the Debtors; *provided that*, each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement. Without limiting the foregoing "Exculpation" provided under Section 12.11 of the Plan, the rights of any holder of a Claim or Interest to enforce rights arising under the Plan shall be preserved, including the right to compel payment of distributions in accordance with the Plan.

12.12. *Injunction.*

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR IN THE CONFIRMATION ORDER, ALL PERSONS OR ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS AGAINST OR INTERESTS IN THE DEBTORS ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ANY SUCH CLAIM OR INTEREST AGAINST ANY OF THE DEBTORS OR THE CREDITOR RECOVERY TRUST, (II) THE ENFORCEMENT, ATTACHMENT, COLLECTION OR RECOVERY BY ANY MANNER OR MEANS OF ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST ANY DEBTOR OR THE CREDITOR RECOVERY TRUST WITH RESPECT TO SUCH CLAIM OR INTEREST, (III) CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST ANY DEBTOR OR THE CREDITOR RECOVERY TRUST OR AGAINST THE PROPERTY OR INTERESTS IN PROPERTY OF ANY DEBTOR OR THE CREDITOR RECOVERY TRUST WITH RESPECT TO SUCH CLAIM OR INTEREST, (IV) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE TO ANY DEBTOR OR THE CREDITOR RECOVERY TRUST OR AGAINST THE PROPERTY OR INTERESTS IN PROPERTY OF ANY DEBTOR OR THE CREDITOR RECOVERY TRUST WITH RESPECT TO SUCH CLAIM OR INTEREST, EXCEPT AS CONTEMPLATED OR ALLOWED BY THE PLAN, (V) ACTING OR PROCEEDING IN ANY MANNER IN ANY PLACE WHATSOEVER, THAT DOES NOT CONFORM TO OR COMPLY WITH THE PROVISIONS OF THE PLAN, (VI) COMMENCING, CONTINUING, OR ASSERTING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND WITH RESPECT TO ANY CLAIMS WHICH ARE EXTINGUISHED OR RELEASED PURSUANT TO THE PLAN, AND (VII) TAKING ANY ACTIONS TO INTERFERE WITH THE IMPLEMENTATION OR CONSUMMATION OF THE PLAN.

12.13. *Waiver of Statutory Limitation on Releases.*

EACH RELEASING PARTY IN EACH OF THE RELEASES CONTAINED IN THE PLAN (INCLUDING UNDER SECTION 12 OF THE PLAN) EXPRESSLY ACKNOWLEDGES THAT ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS OR THEIR FAVOR, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE PARTY RELEASED, SUCH RELEASING PARTY HAS CAREFULLY CONSIDERED AND TAKEN INTO ACCOUNT IN DETERMINING TO ENTER INTO THE ABOVE RELEASES THE POSSIBLE EXISTENCE OF SUCH UNKNOWN LOSSES OR CLAIMS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH RELEASING PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS CONFERRED UPON IT BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE RELEASED PARTY, INCLUDING THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542. THE RELEASES CONTAINED IN SECTION 12 OF THE PLAN ARE EFFECTIVE REGARDLESS OF WHETHER THOSE RELEASED MATTERS ARE PRESENTLY KNOWN, UNKNOWN, SUSPECTED OR UNSUSPECTED, FORESEEN OR UNFORESEEN.

**12.14. *Excluded Avoidance Actions***

The Excluded Avoidance Actions shall be acquired by and transferred to Purchaser under the Purchase Agreement and, as of the Closing, Purchaser shall release and waive such Excluded Avoidance Actions.

**12.15. *Solicitation of Plan.***

As of and subject to the occurrence of the Confirmation Date: (i) the Debtors shall be deemed to have solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including, without limitation, sections 1125(a) and (e) of the Bankruptcy Code, and any applicable non-bankruptcy law, rule or regulation governing the adequacy of disclosure in connection with such solicitation; and (ii) the Debtors and each of their respective directors, officers, employees, Affiliates, agents, financial advisors, investment bankers, professionals, accountants, and attorneys shall be deemed to have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer and issuance of any securities under the Plan (if any), and therefore, are not, and on account of such offer, issuance and solicitation will not be, liable at any time for any violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or the offer and issuance of any securities under the Plan (in each case, if applicable).

**12.16. *Plan Supplement.***

The Plan Supplement shall be filed with the Clerk of the Bankruptcy Court by no later than five days before the Voting Deadline. Upon its filing with the Bankruptcy Court, the Plan Supplement may be inspected in the office of the Clerk of the Bankruptcy Court during normal court hours. Documents to be included in the Plan Supplement will be posted at the website of court-appointed claims and noticing agent as they become available.

**SECTION 13. *RETENTION OF JURISDICTION.***

On and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over all matters arising in, arising under, and related to the Chapter 11 Cases for, among other things, the following purposes:

(a) to hear and determine motions and/or applications for the assumption or rejection of Executory Contracts or Unexpired Leases and the allowance, classification, priority, compromise, estimation or payment of Claims resulting therefrom;

(b) to determine any motion, adversary proceeding, application, contested matter, or other litigated matter pending on or commenced after the Confirmation Date;

(c) to ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan;

(d) to consider Claims or the allowance, classification, priority, compromise, estimation or payment of any Claim;

(e) to enter, implement or enforce such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, reversed, revoked, modified or vacated;

(f) to issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any Person with the Consummation, implementation or enforcement of the Plan, the Confirmation Order, or any other order of the Bankruptcy Court;

(g) to hear and determine any application to modify the Plan in accordance with section 1127 of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in the Plan, or any order of the Bankruptcy Court, including the Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

(h) to hear and determine all applications under sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred before the Confirmation Date;

(i) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, the Purchase Agreement, or the Confirmation Order or any agreement, instrument, or other document governing or relating to any of the foregoing;

(j) to take any action and issue such orders as may be necessary to construe, interpret, enforce, implement, execute, and consummate the Plan or to maintain the integrity of the Plan following Consummation;

(k) to hear any disputes arising out of, and to enforce, any order approving alternative dispute resolution procedures to resolve personal injury, employment litigation and similar Claims pursuant to section 105(a) of the Bankruptcy Code;

(l) to determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(m) to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code);

(n) to adjudicate, decide or resolve any and all matters related to section 1141 of the Bankruptcy Code;

(o) to adjudicate any and all disputes arising from or relating to distributions under the Plan;

(p) to hear and determine any other matters related to the Plan and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

(q) to enter a final decree closing the Chapter 11 Cases;

(r) to enforce all orders previously entered by the Bankruptcy Court;

(s) to recover all assets of the Debtors and property of the Estates, wherever located; and

(t) to hear and determine any rights, Claims or Causes of Action held by or accruing to the Debtors pursuant to the Bankruptcy Code or pursuant to any federal statute or legal theory.

#### SECTION 14. MISCELLANEOUS PROVISIONS.

##### 14.1. *Payment of Statutory Fees.*

On the Effective Date and thereafter as may be required, the Debtors or the Plan Administrator shall pay all fees incurred pursuant to § 1930 of title 28 of the United States Code, together with interest, if any, pursuant to § 3717 of title 31 of the United States Code for each Debtor's case.

##### 14.2. *Substantial Consummation.*

On the Effective Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

##### 14.3. *Dissolution of Creditors' Committee.*

On the Effective Date, the Creditors' Committee shall dissolve, and the members thereof shall be released and discharged from all rights and duties arising from, or related to, the Chapter 11 Cases; *provided* that, after the Effective Date, the Creditors' Committee shall exist and its professionals shall continue to be retained and shall continue to be entitled to reasonable compensation by the Debtors without the need for further application to the Bankruptcy Court with respect to (i) all applications filed pursuant to sections 330 and 331 of the Bankruptcy Code and any related hearings; and (ii) pending appeals of the Confirmation Order; *provided further* that, the Bankruptcy Court shall retain jurisdiction with respect to any disputes over the reasonableness of fees.

##### 14.4. *Amendments.*

(a) *Plan Modifications.* The Plan may be amended, modified or supplemented by the Debtors in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code; *provided* that, such amendments, modifications, or supplements shall be satisfactory in all respects to the Debtors and the Creditors' Committee. In addition, after the Confirmation Date, the Debtors may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order, with respect to such matters as may be necessary to carry out the purposes and effects of the Plan.

(b) *Other Amendments.* Before the Effective Date, the Debtors may make appropriate technical adjustments and modifications to the Plan and the documents contained in the Plan Supplement without further order or approval of the Bankruptcy Court.

##### 14.5. *Revocation or Withdrawal of Plan.*

The Debtors reserve the right to revoke or withdraw the Plan, including the right to revoke or withdraw the Plan for any Debtor or all Debtors, prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (i) the Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (iii) nothing contained in the Plan shall (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of the Debtors, the Estates, or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors, the Estates, or any other Entity.



**14.6. *Severability of Plan Provisions upon Confirmation.***

If, before the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is (i) valid and enforceable pursuant to its terms; (ii) integral to the Plan and may not be deleted or modified without the consent of the Debtors or the Plan Administrator (as the case may be); and (iii) nonseverable and mutually dependent.

**14.7. *Governing Law.***

Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent an exhibit to the Plan or a schedule in the Plan Supplement provides otherwise, the rights, duties and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflict of laws thereof.

**14.8. *Time.***

In computing any period of time prescribed or allowed by the Plan, unless otherwise set forth in the Plan or determined by the Bankruptcy Court, the provisions of Bankruptcy Rule 9006 shall apply.

**14.9. *Additional Documents.***

On or before the Effective Date, the Debtors may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors and all holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

**14.10. *Immediate Binding Effect.***

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and Plan Supplement shall be immediately effective and enforceable and deemed binding upon and inure to the benefit of the Debtors, the holders of Claims and Interests, the Released Parties, the Exculpated Parties, and each of their respective successors and permitted assigns, including, without limitation, the Plan Administrator and the Creditor Recovery Trustee.

**14.11. *Successor and Assigns.***

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or permitted assign, if any, of each Entity.

14.12. ***Entire Agreement.***

On the Effective Date, the Plan, the Plan Supplement, and the Confirmation Order shall supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

14.13. ***Notices.***

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

(i) if to the Debtors or Plan Administrator:

Angelica Corporation  
1105 Lakewood Parkway, Suite 210  
Alpharetta, GA 30009  
Attention: Jonathan I. Blake  
Telephone: 678-823-4105

- and -

Weil, Gotshal & Manges LLP  
767 Fifth Avenue  
New York, NY 10153  
Attn: Matthew S. Barr  
Jill Frizzley  
Kevin Bostel  
Telephone: (212) 310-8000  
Facsimile: (212) 310-8007

(ii) if to the Creditors' Committee or Plan Administrator:

Cole Schotz P.C.  
1325 Avenue of the Americas  
New York, New York 10019  
Attn: Michael D. Sirota  
Daniel F.X. Geoghan  
Ryan T. Jareck  
Telephone: 212-752-8000  
Facsimile: 212-752-8393

After the Effective Date, the Debtors have authority to send a notice to Entities that to continue to receive documents pursuant to Bankruptcy Rule 2002, they must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have filed such renewed requests.

Dated: June 21, 2017  
New York, New York

Respectfully submitted,

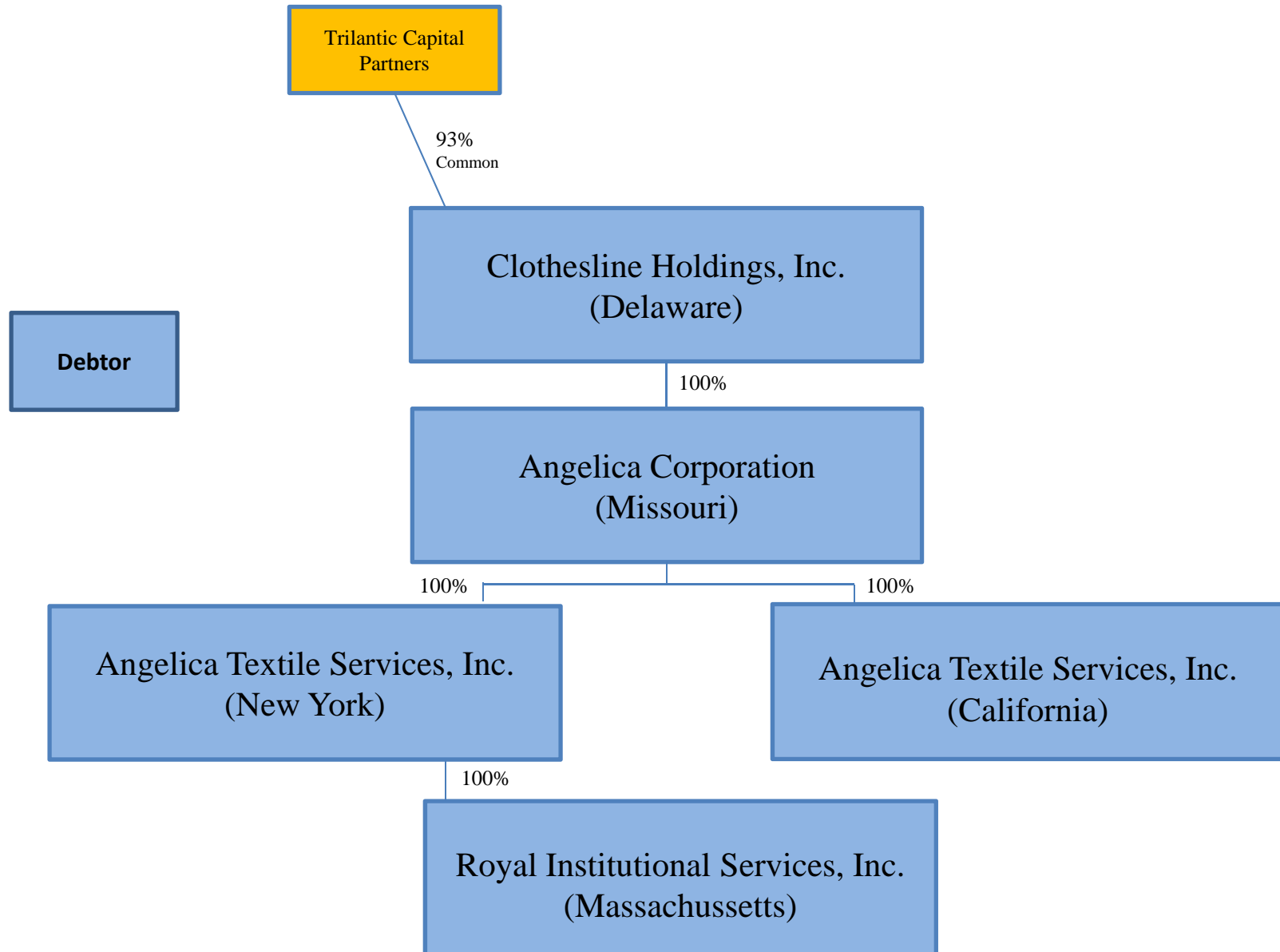
By: /s/ John Makuch  
Name: John Makuch  
Title: Chief Financial Officer

*[FIRST AMENDED JOINT CHAPTER 11 PLAN OF ANGELICA CORPORATION AND ITS  
AFFILIATED DEBTORS]*

**Exhibit B**

**Debtors' Prepetition Organizational Structure**

## Angelica Organizational Chart



**Exhibit C**

**Liquidation Analysis**

## Exhibit C

### Liquidation Analysis

#### 1) Introduction

Angelica Corporation and its affiliates (collectively, the “**Debtors**”), with the assistance of their restructuring, legal, and financial advisors, have prepared this hypothetical liquidation analysis (this “**Liquidation Analysis**”) in connection with the *First Amended Joint Chapter 11 Plan of Angelica Corporation and its Affiliated Debtors* (as amended, supplemented, or modified from time to time, the “**Plan**”) and related disclosure statement (as amended, supplemented, or modified from time to time, the “**Disclosure Statement**”) pursuant to chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). This Liquidation Analysis indicates the estimated recoveries that may be obtained by Classes<sup>1</sup> of Claims and Interests in a hypothetical liquidation pursuant to chapter 7 of the Bankruptcy Code upon disposition of assets as an alternative to the Plan. Accordingly, asset values discussed herein may be different than amounts referred to in the Plan. This Liquidation Analysis is based upon the assumptions discussed herein.

Often called the “best interests” test, section 1129(a)(7) of the Bankruptcy Code requires that the Bankruptcy Court find, as a condition to confirmation of the Plan, that each holder of a Claim or Interest in each Impaired Class: (i) has accepted the Plan; or (ii) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such Person would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. In order to make these findings, the Bankruptcy Court must: (i) estimate the cash proceeds (the “**Liquidation Proceeds**”) that a chapter 7 trustee (the “**Trustee**”) would generate if each Debtor’s Chapter 11 Case were converted to a chapter 7 case on the Effective Date and the assets of such Debtor’s estate were liquidated; (ii) determine the distribution (the “**Liquidation Distribution**”) that each holder of a Claim or Interest would receive from the Liquidation Proceeds under the priority scheme dictated in chapter 7; and (iii) compare each holder’s Liquidation Distribution to the distribution under the Plan (the “**Plan Distribution**”) that such holder would receive if the Plan were confirmed and consummated. Accordingly, asset values discussed herein may be different than amounts referred to in the Plan.

THE DEBTORS MAKE NO REPRESENTATIONS OR WARRANTIES REGARDING THE ACCURACY OF THE ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN, OR A TRUSTEE’S ABILITY TO ACHIEVE FORECASTED RESULTS. IN THE EVENT THAT THESE CHAPTER 11 CASES ARE CONVERTED TO A CHAPTER 7 LIQUIDATION, ACTUAL RESULTS COULD VARY MATERIALLY FROM THE ESTIMATES AND PROJECTIONS SET FORTH IN THIS LIQUIDATION ANALYSIS.

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<sup>1</sup> Unless otherwise expressly set forth herein, capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the Disclosure Statement.

## 2) Basis of Presentation

Substantially all of the Debtors' assets will be sold pursuant to the terms of the Purchase Agreement, which reflects the bid determined by the Debtors, in accordance with the Bidding Procedures, to be the highest or best offer for their assets (the "**Sale Transaction**"), subject to the Bankruptcy Court's approval of the Debtors' entry into and performance under such agreement. Upon the consummation of the Sale Transaction (the "**Sale Closing**") – which will occur prior to the Confirmation Hearing – the proceeds (the "**Sale Proceeds**") are to be used, in the first instance, to satisfy DIP Claims, ABL Claims, and the Term Loan B-2 Claim, in accordance with the Purchase Agreement, and then to fund the ongoing wind-down costs of the Chapter 11 Cases and, ultimately, any distributions under the Plan.

The purpose of the Plan is to provide a mechanism to implement the liquidation of the Debtors' remaining assets, reconciling and fixing any outstanding Claims that have been asserted against the Debtors, and distributing the net liquidation proceeds, including the remaining Sale Proceeds, in conformity with the distribution scheme provided by the Bankruptcy Code and prior orders of the Bankruptcy Court (the "**Chapter 11 Plan Scenario**").

On April 3, 2017, the Debtors and 9W Halo Holdings L.P. (the "**Stalking Horse Bidder**") entered into a stalking horse asset purchase agreement (the "**Stalking Horse APA**") consisting of a binding bid for substantially all of Angelica's assets (the "**Purchased Assets**") subject to overbid. Specifically, the bid set forth in the Stalking Horse APA (the "**Stalking Horse Bid**") provided for the going concern sale of the Purchase Price for an aggregate purchase price estimated at approximately \$125 million, including cash and cash consideration and a credit bid in the amount of \$17.4 million, plus the assumption of certain liabilities, subject to certain adjustments (collectively, the "**Stalking Horse Purchase Price**").

Upon the expiration of the Bid Deadline, the Debtors had not received any Qualified Bids other than the Stalking Horse Bid. Accordingly, on May 30, 2017, the Debtors filed a notice [Docket No. 221] indicating that the Auction was cancelled and designating the Stalking Horse Bidder as the "**Successful Bidder**" for the Purchased Assets.

Subsequently, the Stalking Horse APA was amended to reflect the terms of a negotiated settlement with the Creditors' Committee (the "**Settlement Agreement**") regarding, among other things, the assumption of certain liabilities by the Successful Bidder and distributions to holders of General Unsecured Claims, the creation and control of the Creditor Recovery Trust, and the wind down of the Debtors' remaining assets and costs after the Sale Closing through consummation of the Plan. Pursuant to the final terms of the Stalking Horse Bid, as reflected in the fully executed versions of the Stalking Horse APA, as amended, and all of the exhibits thereto (collectively, the "**Purchase Agreement**"), the Successful Bidder has agreed to purchase the Purchased Assets for consideration estimated at approximately \$160 million, including (i) \$17.4 million in the form of a credit bid for a portion of KKR's prepetition debt, (ii) cash and cash consideration, and (iii) the assumption of certain liabilities, subject to certain adjustments.

A hearing to consider approval of the Sale Transaction was held on June 23, 2017, and on June [●], 2017 the Bankruptcy Court entered the *Order (I) Approving Purchase Agreement Among Sellers and Purchaser (II) Authorizing Sale of Certain of Debtors' Assets Free and Clear*



*of Liens, Claims, Interests, and Encumbrances, (III) Authorizing Assumption and Assignment of Certain Executory Contracts and Leases in Connection Therewith and (IV) Granting Related Relief* [Docket No. [●]].

This Liquidation Analysis assumes the Sale Transaction closes on June 29, 2017 (the “**Sale Closing Date**”).

This Liquidation Analysis has been prepared assuming that the Debtors were to convert their chapter 11 cases to chapter 7 cases shortly after the Sale Closing Date, on July 1, 2017 (the “**Conversion Date**”). As such, it is also assumed that each of the DIP Claims, ABL Claims, and the Term Loan B-2 Claim will have been paid and satisfied in full prior to the Conversion Date with the Sale Proceeds pursuant to the Purchase Agreement. The pro forma values referenced herein are projected to be as of the Effective Date. This Liquidation Analysis was prepared on a consolidated basis for all of the Debtors.

This Liquidation Analysis represents an estimate of recovery values and percentages based upon a hypothetical liquidation of the Debtors if a Trustee were appointed by the Bankruptcy Court to convert assets into cash. The determination of the hypothetical proceeds from the liquidation of assets is a highly uncertain process involving the extensive use of estimates and assumptions which, although considered reasonable by the Debtors’ managing officers (“**Management**”) in consultation with the Debtors’ advisors, are inherently subject to significant business, economic and competitive uncertainties and contingencies beyond the control of the Debtors and Management.

In preparing this Liquidation Analysis, the Debtors have estimated an amount of Allowed Claims for each Class of claimants based upon a review of the Debtors’ balance sheets as of April 29, 2017, adjusted for estimated balances as of the Effective Date where needed, because as of the time of preparation of this Liquidation Analysis the General Bar Date had not passed. This Liquidation Analysis also assumes that between the Conversion Date and the Effective Date, no Claims will be paid in the ordinary course but are all paid on the Effective Date. Further, the estimate of all Allowed Claims in this Liquidation Analysis is based on the par value of those Claims. The estimate of the amount of Allowed Claims set forth in this Liquidation Analysis should not be relied upon for any other purpose, including, without limitation, any determination of the value of any distribution to be made on account of Allowed Claims under the Plan. The actual amount of Allowed Claims could be materially different from the amount of Claims estimated in this Liquidation Analysis.

This Liquidation Analysis also does not include estimates for the tax consequences, both federal and state, that may be triggered upon the liquidation and sale events of assets in the manner described herein. Such tax consequences may be material.

This Liquidation Analysis does not include recoveries resulting from any potential preference, fraudulent transfer, or other litigation or avoidance actions, including any potential avoidance actions or other Claims against Angelica Corporation or any of its affiliates which are assumed for the purposes of this Liquidation Analysis to have no value.

### 3) Liquidation Process

For purposes of this analysis, the Debtors' hypothetical liquidation would be conducted in a chapter 7 environment with the Trustee managing the bankruptcy estate of each Debtor (each an "**Estate**" or the "**Estates**") to maximize recovery in an expedited process (the "**Chapter 7 Scenario**"). The three major components of the liquidation are as follows:

- generation of cash proceeds from remaining unencumbered asset sales, sold on a piecemeal basis;
- costs related to the liquidation process, such as Estate wind-down costs and Trustee, professional, and other administrative fees; and
- distribution of net proceeds generated from asset sales to the holders of Claims and Interests in accordance with the priority scheme under chapter 7 of the Bankruptcy Code.<sup>2</sup>

### 4) Distribution of Net Proceeds to Claimants

Any available net proceeds would be allocated to the applicable holders of Claims and Interests in strict priority in accordance with section 726 of the Bankruptcy Code:

- DIP Claims, ABL Claims, and the Term Loan B-2 Claim: Each of these Claims is assumed to have been paid in full pursuant to the terms of the Purchase Agreement prior to the Conversion Date. Accordingly, such Claims need not be considered in this Liquidation Analysis;
- Administrative Expense Claims: Includes Claims for postpetition accounts payable, accrued expenses, accrued and unpaid professional fees, Claims arising under section 503(b)(9) of the Bankruptcy Code, and certain unsecured Claims entitled to priority under section 507 of the Bankruptcy Code;
- Priority Tax Claims: Includes any secured or unsecured Claim of a Governmental Unit (as defined in the Bankruptcy Code) of the kind entitled to priority in payment as specified in sections 502(i) and 507(a)(8) of the Bankruptcy Code;
- General Unsecured Claims: Includes non-secured, non-priority debt, including trade payables, and various other unsecured liabilities (and, in the Chapter 7 Scenario, the Term Loan B-1 Deficiency Claim); and
- Existing Clothesline Holdings Interests: To the extent any available net proceeds remain available for distribution after satisfaction in full of the foregoing classes of Claims, any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code, including all common stock or units, preferred stock or units, or other instruments evidencing an ownership interest in any of the Debtors.

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<sup>2</sup> The liquidation process includes a reconciliation of Claims asserted against the Estates to determine the Allowed Claim amount per Class.

## **5) Conclusion**

- The Debtors have determined, as summarized in the following analysis, upon the Effective Date, the Plan will provide all holders of Claims and Interests with a recovery that is not less than what they would otherwise receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code, and as such believe that the Plan satisfies the requirement of 1129(a)(7) of the Bankruptcy Code.

## Liquidation Analysis

### Including Comparison to Estimated Recoveries Under Chapter 11 Plan Scenario

The following Liquidation Analysis should be reviewed with the accompanying notes.

		CHAPTER 7 SCENARIO <sup>1</sup> (Assumes No Settlement Agreement with the UCC)			CHAPTER 11 PLAN SCENARIO <sup>1</sup> (Assumes UCC Settlement Agreement)		
Assets	Notes	Value			Value		
Cash	[A]	\$	15,986		\$	17,386	
Accounts Receivable from Excluded Assets	[B]		1,279			1,279	
Sale Proceeds from Encumbered Assets Remaining in Estate	[C]		-			500	
Unencumbered Real Property	[D]		450			450	
Gross Proceeds		\$	17,715		\$	19,615	
Less: Costs of Liquidation							
Broker Fees and Real Estate Costs	[E]	\$	(45)		\$	(45)	
Professional Fees Incurred After the Sale Transaction	[F]		(300)			(2,378)	
Chapter 7 Trustee Fees	[G]		(531)			-	
Total Liquidation Costs		\$	(876)		\$	(2,423)	
Net Proceeds Available for Distribution		\$16,839			\$17,192		

## Notes to Liquidation Analysis

### A. Cash

- In the Chapter 11 Plan Scenario, the pro forma cash balance as of the Conversion Date reflects the amount funded by the Purchaser for Sellers Wind Down Expenses pursuant to the Purchase Agreement. This amount includes \$1.4 million for a Plan Administrator or Creditor Recovery Trust pursuant to the Settlement Agreement.
- The Debtors assume that they would not receive the benefits of the Settlement Agreement in the Chapter 7 Scenario, resulting in a cash balance that is \$1.4 million lower in such scenario.

### B. Accounts Receivable

- Accounts Receivable includes amounts due under customer contracts which are treated as Excluded Contracts pursuant to the Purchase Agreement and not included in the Sale Transaction.
- The pro forma book balance of Accounts Receivable as of the Conversion Date is estimated to be \$2.04 million. Estimated recoveries of 30% to 80% were applied to current amounts outstanding between 0 and 90 days past due, with an assumed 0% recovery applied to amounts more than 90 days past due. The total weighted average recovery is estimated to be 63%.

### C. Sale Proceeds from Encumbered Assets Remaining in Estate

- Encumbered Assets Remaining in the Estate include customer contracts and plant equipment which are not Purchased Assets under the Purchase Agreement but are subject to valid, prepetition liens.
- In the Chapter 11 Plan Scenario, the \$500,000 in sale proceeds for such assets reflects a portion of an estimated \$3.6 million in gross sale proceeds which KKR Credit has agreed to contribute to the Debtors' Estates solely for the payment of certain Administrative Expense Claims pursuant to the Settlement Agreement. The remainder of the estimated \$3.6 million in sale proceeds will be distributed to KKR Credit on account of its Term Loan B-1 Claim.
- The Debtors assume that they would not receive the benefits of the Settlement Agreement in the Chapter 7 Scenario, resulting in all sale proceeds from encumbered assets being paid to KKR Credit on account of its Term Loan B-1 Claim in such scenario. Further, it is assumed that the proceeds may be less than \$3.6 million in the Chapter 7 Scenario, which would result in a greater Term Loan B-1 Deficiency Claim dollar-for-dollar.
- In addition, the Debtors estimate accrued postpetition accounts payables related to the encumbered assets remaining in the Estates to be \$500,000 as of the Conversion Date.

D. Unencumbered Real Property

- Unencumbered Real Property consists of three of the Debtors' owned properties that are not Purchased Assets under the Purchase Agreement, including land and buildings that have been used for operations by the Debtors minimally or not at all over the last three years.
- The value of gross proceeds from the sale of the Unencumbered Real Property is based on estimates from local property brokers, discounted by 25%.

E. Broker Fees and Real Estate Costs

- Broker Fees and Real Estate Costs reflect the costs to maintain and sell the Unencumbered Real Property, which were estimated to be 10% of the gross proceeds.

F. Professional Fees Incurred After Sale Transaction

- In the Chapter 11 Plan Scenario, the estimate of Professional Fees Incurred After the Sale Transaction includes eight weeks' worth of fees incurred and owing to counsel and financial advisors of the Debtors, the Creditors' Committee, and the Second Lien Lenders.
- The Chapter 7 Scenario includes estimated legal and consulting fees incurred in support of managing the liquidation or the Debtors' assets.

G. Chapter 7 Trustee Fees

- Section 326 of the Bankruptcy Code provides for Trustee fees of 3% for liquidation proceeds in excess of \$1 million. This Liquidation Analysis, therefore, assumes Trustee fees are 3% of gross proceeds available for distribution to creditors.

H. Administrative Expense Claims in Sellers Wind Down Expenses

- These amounts reflect Administrative Expense Claims which are accounted for in Sellers Wind Down Expenses and funded by Purchaser pursuant to the Purchase Agreement, which are assumed to be the same in both the Chapter 7 and Chapter 11 Plan Scenarios.

I. Administrative Expense Claims Assumed by Purchaser

- These amounts reflect Administrative Expense Claims that were not initially included as assumed liabilities under the Stalking Horse APA but the Purchaser agreed to assume pursuant to the Settlement Agreement.
- The Debtors assume that they would not receive the benefits of the Settlement Agreement in the Chapter 7 Scenario, resulting in Administrative Expense Claims against the Estates totaling \$14.2 million.

J. Priority Claims – Prepetition Property Tax Claims

- The Debtors estimate that there will be approximately \$0.4 million in Priority Tax Claims on the Conversion Date, consisting of prepetition property taxes. This Liquidation Analysis projects the Priority Tax Claims to receive no recovery under the Chapter 7 Scenario. In the Chapter 11 Plan Scenario, these amounts are assumed to be funded by Purchaser as part of Sellers Wind Down Expenses.

K. Priority Claims – Prepetition Employee Liabilities

- The Debtors estimate that there will be approximately \$2.5 million in Priority Employee Claims on the Conversion Date, consisting of accrued and unpaid vacation. This Liquidation Analysis projects the Priority Employee Claims to receive no recovery under the Chapter 7 Scenario. In the Chapter 11 Plan Scenario, these amounts are assumed by Purchaser pursuant to the Settlement Agreement.

L. Term Loan B-1 Deficiency Claim

- The Debtors estimate that there will be a \$40.6 million Term Loan B-1 Deficiency Claim on the Conversion Date. Pursuant to the Settlement Agreement, KKR Credit is required to waive its right to a distribution on account of such Term Loan B-1 Deficiency Claim under the Plan.
- However, based on the Debtors' assumption that KKR Credit would not receive the benefits of the Settlement Agreement in the Chapter 7 Scenario, it will be entitled to assert its entire Term Loan B-1 Deficiency Claim as a General Unsecured Claim in such scenario. Further, in the Chapter 7 Scenario, the Term Loan B-1 Deficiency Claim may be greater as a result of the sale proceeds from Encumbered Assets Remaining in Estate being lower than in the Chapter 11 Plan Scenario.

M. General Unsecured Claims

- The Debtors base their recovery estimates on an aggregate of approximately \$99 million in General Unsecured Claims, including Claims for trade accounts payable, lease rejection damages, and pension withdrawal liability (but excluding the Term Loan B-1 Deficiency Claim). This amount is subject to change as the General Bar Date has not yet passed as of the time this analysis was completed.
- This Liquidation Analysis projects that the Liquidation Proceeds would cause the General Unsecured Claims to receive no recovery under the Chapter 7 Scenario as compared to a recovery of approximately 3% under the Chapter 11 Plan Scenario.