**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE SOUTHERN DISTRICT OF TEXAS**
**HOUSTON DIVISION**

| | | |
|---|---|---|
| In re: | § | Chapter 11 |
| EXCO RESOURCES, INC., *et al.*,[1] | § | Case No. 18-30155 (MI) |
| Debtors. | § | (Jointly Administered) |

# DISCLOSURE STATEMENT FOR THE SETTLEMENT JOINT CHAPTER 11 PLAN OF REORGANIZATION OF EXCO RESOURCES, INC. AND ITS DEBTOR AFFILIATES

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Dated: [●], 2018

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

## IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

**The Debtors are providing the information in this Disclosure Statement to Holders of Claims and Interests for purposes of soliciting votes to accept or reject the *Settlement Joint Chapter 11 Plan of Reorganization of EXCO Resources, Inc. and Its Debtor Affiliates* (the "Plan").[1] Nothing in this Disclosure Statement may be relied upon or used by any Entity for any other purpose. Before deciding whether to vote for or against the Plan, each Holder entitled to vote should carefully consider all of the information in this Disclosure Statement, including the Risk Factors described in Article VIII herein.**

**Subject to the foregoing, the Plan is supported by the Debtors, and [●]. The Debtors urge Holders of Claims whose votes are being solicited to accept the Plan.**

**The Debtors urge each Holder of a Claim or Interest to consult with its own advisors with respect to any legal, financial, securities, tax, or business advice in reviewing this Disclosure Statement, the Plan, and the transactions contemplated thereby. Further, the Bankruptcy Court's approval of the adequacy of the information contained in this Disclosure Statement does not constitute the Bankruptcy Court's approval of the Plan.**

**This Disclosure Statement contains, among other things, summaries of the Plan, certain statutory provisions, and certain anticipated events in the Debtors' Chapter 11 Cases. Although the Debtors believe that these summaries are fair and accurate, these summaries are qualified in their entirety to the extent that they do not set forth the entire text of such documents or statutory provisions or every detail of such anticipated events. In the event of any inconsistency or discrepancy between a description in this Disclosure Statement and the terms and provisions of the Plan or any other documents incorporated herein by reference, the Plan or such other documents will govern for all purposes. Factual information contained in this Disclosure Statement has been provided by the Debtors' management except where otherwise specifically noted. The Debtors do not represent or warrant that the information contained herein or attached hereto is without any material inaccuracy or omission.**

**In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records and on various assumptions regarding the Debtors' business. While the Debtors believe that such financial information fairly reflects the financial condition of the Debtors as of the date hereof and that the assumptions regarding future events reflect reasonable business judgments, no representations or warranties are made as to the accuracy of the financial information contained herein or assumptions regarding the Debtors' business or their future results or**

[1] Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in Article I.A of the Plan.

**operations. The Debtors expressly caution readers not to place undue reliance on any forward-looking statements contained herein.**

**The Debtors are making the statements and providing the financial information contained in this Disclosure Statement as of the date hereof, unless otherwise specifically noted, and there is no assurance that the statements contained herein will be correct at any time after such date. Although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so, and expressly disclaim any duty to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise. Holders of Claims and Interests reviewing this Disclosure Statement should not infer that, at the time of their review, the facts set forth herein have not changed since this Disclosure Statement was Filed. Information contained herein is subject to completion, modification, or amendment. The Debtors reserve the right, with prior notice to and reasonable consent of the other Proponents, to File an amended or modified Plan and related Disclosure Statement from time to time, subject to the terms of the Plan.**

**The Debtors have not authorized any Entity to give any information about or concerning the Plan other than that which is contained in this Disclosure Statement. The Debtors have not authorized any representations concerning the Debtors or the value of their property other than as set forth in this Disclosure Statement.**

**This Disclosure Statement does not constitute, and may not be construed as, an admission of fact, liability, stipulation, or waiver. The Debtors or any other authorized party may seek to investigate, File, and prosecute Claims and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies any such Claims or objections to Claims.**

**If the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs, all Holders of Claims and Interests (including those Holders of Claims and Interests who do not submit ballots to accept or reject the plan, who vote to reject the Plan, or who are not entitled to vote on the Plan) will be bound by the terms of the Plan and the Restructuring Transactions contemplated thereby.**

**The Confirmation and effectiveness of the Plan are subject to certain material conditions precedent described herein and set forth in Article IX of the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied for the Plan to go effective will be satisfied (or waived).**

**You are encouraged to read the Plan and this Disclosure Statement in its entirety, including Article VIII, entitled "RISK FACTORS," which begins on page 53, before submitting your ballot to vote on the Plan.**

**The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein or an endorsement by the Bankruptcy Court of the merits of the Plan.**

**The information contained in this Disclosure Statement is included for purposes of soliciting votes for, and Confirmation of, the Plan and may not be relied on for any other purpose. In the event of any inconsistency between this Disclosure Statement and the Plan, the relevant provisions of the Plan will govern.**

**This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and is not necessarily prepared in accordance with federal or state securities laws or other similar laws. This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC") or any similar federal, state, local, or foreign regulatory agency, nor has the SEC or any other agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.**

**The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement; however, the financial information contained in this Disclosure Statement or incorporated herein by reference has not been, and will not be, audited or reviewed by the Debtors' independent auditors unless explicitly provided otherwise.**

**Upon Confirmation of the Plan, certain of the securities described in this Disclosure Statement will be issued without registration under the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, together with the rules and regulations promulgated thereunder (the "Securities Act"), or similar federal, state, local, or foreign laws, in reliance on the exemption set forth in section 1145 of the Bankruptcy Code. Other Securities may be issued pursuant to other applicable exemptions under the federal securities laws. To the extent exemptions from registration under section 1145 of the Bankruptcy Code or applicable federal securities law do not apply, the Securities may not be offered or sold except pursuant to a valid exemption or upon registration under the Securities Act.**

**The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under federal securities laws. The Debtors consider all statements regarding anticipated or future matters, to be forward-looking statements. Forward-looking statements may include statements about the Debtors':**

- **business strategy;**
- **acquisition or disposition of assets, including strategy, amount, timing, and ability to effectuate any such transaction;**
- **financial strategy;**
- **risks associated with the Chapter 11 process, including the Debtors' ability to develop, confirm, and consummate a plan under Chapter 11 or an alternative restructuring transaction;**
- **inability to maintain relationships with suppliers, customers, employees, and other third parties as a result of the Chapter 11 filing or other failure of such parties to comply with their contractual obligations;**
- **failure to satisfy the Debtors' short- or long-term liquidity needs, including its inability to generate sufficient Cash flow from operations or to obtain adequate financing to fund its capital expenditures and meet working capital needs and its ability to continue as a going concern;**
- **legal proceedings and the effects thereof;**
- **drilling locations;**

- **oil and natural gas reserves;**
- **realized oil and natural gas prices;**
- **production volumes;**
- **capital expenditures;**
- **economic and competitive advantages;**
- **credit and capital market conditions;**
- **regulatory changes;**
- **lease operating expenses, general and administrative expenses and development costs;**
- **future operating results, including results of acquired properties;**
- **plans, objectives, expectations and intentions; and**
- **integration and the resulting benefits of asset and property acquisitions or the effects of asset and property acquisitions or dispositions on the Debtors' Cash position and levels of indebtedness.**

**Statements concerning these and other matters are not guarantees of the Debtors and the Reorganized Debtors' future performance. There are risks, uncertainties, and other important factors that could cause the Debtors and the Reorganized Debtors' actual performance or achievements to be different from those they may project, and the Debtors undertake no obligation to update the projections made herein. These risks, uncertainties, and factors may include: the Debtors' ability to confirm and consummate the Plan; the potential that the Plan may be converted to a process to sell substantially all of the Debtors' assets under section 363 of the Bankruptcy Code; the Debtors' ability to reduce their overall financial leverage; the potential adverse impact of the Chapter 11 Cases on the Debtors' operations, management, and employees, and the risks associated with operating the Debtors' business during the Chapter 11 Cases; customer responses to the Chapter 11 Cases; the Debtors' inability to discharge or settle Claims during the Chapter 11 Cases; the Debtors' ability to access financing necessary to consummate the Plan; general economic, business, and market conditions; commodity price fluctuations; currency fluctuations; interest rate fluctuations; price increases; changes in estimates of oil and natural gas reserves; marketing of oil and natural gas; exposure to litigation; the Debtors' ability to implement cost reduction initiatives in a timely manner; the Debtors' ability to divest existing business; financial conditions of the Debtors' customers; adverse tax changes; limited access to capital resources; changes in domestic and foreign laws and regulations; natural disasters; geopolitical instability; and the effects of governmental regulation on the Debtors' business.**

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## EXHIBITS[1]



[1] Each Exhibit is incorporated herein by reference.

## I. INTRODUCTION

EXCO Resources, Inc. ("EXCO"), and its debtor affiliates as debtors and debtors in possession (collectively, the "Debtors"), submit this disclosure statement (this "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against and Interests in the Debtors in connection with the solicitation of votes to accept or reject the *Settlement Joint Chapter 11 Plan of EXCO Resources, Inc. and Its Debtor Affiliates* (the "Plan"), dated [●], 2018.[1] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan constitutes a separate chapter 11 plan for EXCO and each of the other Debtors.

**THE DEBTORS AND THE OTHER PROPONENTS SUPPORT THE PLAN AND BELIEVE THAT THE COMPROMISE CONTEMPLATED UNDER PLAN IS FAIR AND EQUITABLE, MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES, AND PROVIDES THE BEST RECOVERY TO CLAIM HOLDERS. AT THIS TIME, THE DEBTORS BELIEVE THE PLAN IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THE CHAPTER 11 CASES AND STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.**

## II. PRELIMINARY STATEMENT

EXCO is an independent oil and natural gas company engaged in exploration and production ("E&P") activities in onshore U.S. oil and natural gas properties with a focus on shale resource plays. EXCO's principal operations are conducted in certain key U.S. oil and natural gas areas including Texas, Louisiana, and the Appalachia region. Headquartered in Dallas, Texas, as of the Petition Date the Debtors employed approximately 170 individuals and had approximately $1.40 billion in total funded debt obligations, including letters of credit, but excluding potential "make-whole" claims.

The Debtors are highly-efficient operators, making use of enhanced drilling and completion technologies. The Debtors have a gas-levered asset portfolio with significant, high quality drilling inventory. The Debtors hold significant positions in several of the most active E&P regions, including the South Texas region, East Texas/North Louisiana region, and Appalachia region.

Although the Debtors' operations remain strong, the depressed commodity pricing environment that has prevailed since late 2014 crippled the Debtors' ability to sustain their leveraged capital structure and obtain and commit the capital necessary for their core production activities. Despite the Debtors' efforts to mitigate the effects of the historic market downturn by substantially decreasing total capital expenditures, implementing initiatives to reduce general and administrative and lease operating costs, successfully divesting non-core assets during 2016 and attempting to sell other core assets in 2017, and executing multiple refinancing transactions designed to reduce their overall leverage and debt service obligations, the capital intensive nature of the Debtors' business together with the Debtors' overleveraged capital structure made it difficult to withstand the current economic climate. These macroeconomic factors, coupled with the Debtors' substantial debt obligations and fixed commitments related to above-market and underutilized natural gas gathering, transportation, and certain other fixed-cost agreements, strained their ability to sustain the weight of their capital structure and devote the capital necessary to maintain and grow their business.

As a result, beginning in the summer of 2017, the Debtors engaged financial advisors and legal counsel to advise management and the board of directors regarding potential strategic alternatives to enhance the Debtors' liquidity and address their capital structure. The Debtors, with the assistance of their

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[1] Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in Article I.A of the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern**.

advisors, commenced comprehensive restructuring negotiations with their major creditor constituencies, including the administrative agent under their reserve-based revolving credit facility, and creditors holding substantial positions in their prepetition secured and unsecured debt. Following several months of substantive negotiations with these key constituents, each of the Debtors Filed a bankruptcy petition with the Bankruptcy Court on January 15, 2018.

Following the commencement of these Chapter 11 Cases, the Debtors undertook a dual-track restructuring process, pursuant to which the Debtors solicited bids for a sale of some or all of their assets while simultaneously working with their creditor groups to develop a comprehensive plan of reorganization.

The Debtors, with the assistance of their advisors, marketed their assets both as a whole and in three distinct asset packages: (a) East Texas/North Louisiana assets, (b) the Appalachia assets, and (c) the South Texas assets, all of which are described in more detail herein. Beginning in January 2018, the Debtors and their advisors contacted over 275 potential purchasers, executed approximately 100 non-disclosure agreements, and received 25 indications of interest during the first round of the marketing process. The Debtors and their advisors analyzed the bids received and selected approximately 12 bidders to participate in the second round of the bidding process. The Debtors engaged in extensive negotiations with a potential purchaser of their East Texas/North Louisiana assets, but ultimately did not consummate a deal with any party.

In parallel, the Debtors engaged in restructuring negotiations with all key creditor constituencies, including the prepetition secured creditors and the Committee. The Debtors facilitated multiple formal and informal discussions and in-person meetings with key stakeholders and their advisors regarding the terms of a consensual and comprehensive restructuring transaction. At the same time, the Debtors continued their investigation of potential estate claims and causes of action against third parties, including the prepetition secured lenders, and provided documents and information to the Committee in furtherance of the Committee's investigation of the same.

Following significant engagement with these key constituents, including the exchange of several restructuring proposals between certain of the prepetition secured creditors and the Committee, the Debtors requested that the Honorable Chief Judge David R. Jones be appointed as a mediator in the Chapter 11 Cases, as described in more detail herein. Mediation was held on August 6, August 7, August 27, and September 21, 2018 and successfully resolved many potential claims and causes of action that may have been brought by the Debtors or the Committee.

The Plan represents the culmination of a thorough dual-track restructuring process conducted by the Debtors and their advisors. The Debtors believe that the Plan maximizes value for creditors, is in the best interests of the Debtors' estates, represents the best available alternative, and will result in meaningful recoveries for creditors and a significant deleveraging of the Debtors' balance sheet at a critical time when the commodity cycle downturn is negatively affecting highly-leveraged companies within the oil and gas industry as a whole.

## III. OVERVIEW OF THE PLAN

The Plan provides for a reorganization of the Debtors as a going concern with a significant reduction in long-term debt and a stronger, de-levered balance sheet. Pursuant to the Plan, the Debtors shall reorganize around all of their assets.

Pursuant to the Plan:

- Holders of Allowed 1.5 Lien Notes Claims will receive either the 1.5 Lien Take-Back Debt or payment in full in Cash (without payment of any premium or "make-whole");

- Holders of Allowed 1.75 Lien Term Loan Facility Claims will receive 82 percent of the New Common Stock (subject to dilution by the Management Incentive Plan);

- Holders of Allowed Second Lien Term Loan Facility Claims will receive [●];

- Holders of Allowed Unsecured Notes Claims and Allowed GUC Claims (other than Convenience Claims) will receive, collectively, the Unsecured Settlement Recovery, which shall be: (i) 18 percent of the New Common Stock (subject to dilution by the Management Incentive Plan) and (ii) $15,350,000 in Cash;

- Holders of Allowed Convenience Claims, along with any Holder of an Allowed GUC Claim who elects to be treated as a Holder of an Allowed Convenience Claim, will receive the Convenience Claims Distribution, which shall be a Pro Rata share of $5 million in Cash; and

- Raider Marketing Claims shall be deemed canceled, discharged, released, and extinguished, and there shall be no distribution to Holders of Raider Marketing Claims on account of such Claims.

The Debtors shall also enter into the Exit RBL Facility, on terms set forth in the Exit RBL Facility Documents and substantially consistent with the terms set forth in the Exit RBL Facility Term Sheet.

The Debtors shall fund distributions under the Plan with: (1) Cash on hand; (2) the Exit Facility; (3) the 1.5 Lien Take-Back Debt (if applicable); (4) the New Common Stock; and (5) the D&O Proceeds.

On or following the Effective Date, the Debtors shall continue to exist, and all property in each estate will vest in each applicable Reorganized Debtor. Each Reorganized Debtor will file with the applicable state authority its New Organizational Documents, which may be subsequently amended in accordance with such documents and applicable law. A Reorganized EXCO Board shall be constituted, and shall consist initially of [●] directors, including: [●], and [except as may be specified in the New Organizational Documents, decisions of the Reorganized EXCO Board will be made by a majority of the Reorganized EXCO Board of directors.] The Reorganized Debtors shall honor the Debtors' employee obligations except as otherwise provided in the Plan or the Plan Supplement.

### A. General Settlement of Claims and Interests

The Plan shall be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, Causes of Action, and controversies pursuant to Bankruptcy Rule 9019, and entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, as well as a finding by the Bankruptcy Court that such settlement and compromise is fair, equitable, reasonable, and in the best interests of the Debtors and their Estates, and in consideration for the classification, distributions, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute such good-faith compromise and settlement of all such Claims, Interests, Causes of Action, and controversies. Distributions made to Holders of Allowed Claims in any Class are intended to be and shall be final. In accordance with the provisions of the Plan, pursuant to Bankruptcy Rule 9019, without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against, and Interests in, the Debtors and their Estates and Causes of Action against other Entities.

Pursuant to Rule 408 of the Federal Rules of Evidence, the Plan and this Disclosure Statement (and any exhibits or supplements relating to the foregoing), and all negotiations relating thereto shall not be admissible into evidence in any proceeding unless and until the Plan is consummated, and then only in

accordance with the Plan. In the event the Plan is not consummated, provisions of the Plan and this Disclosure Statement (and any exhibits or supplements relating to the foregoing) and all negotiations relating thereto shall not be binding or probative.

### B. Releases

The Plan contains certain releases (as described more fully in Section IV.W of this Disclosure Statement) for each of: (a) each of the Proponents; (b) the Reorganized Debtors; (c) the 1.5 Lien Notes Trustee; (d) the 1.75 Lien Agent; (e) the Second Lien Agent; (f) the DIP Agent; (g) the DIP Lenders; (h) members of the Committee; (i) all persons and Entities that may be an "Insured" as defined in the D&O Liability Insurance Policies; (j) any and all known or unknown individuals or Entities asserting or who may assert any basis for coverage under the D&O Liability Insurance Policies; and (k) the D&O Carriers.

Holders of Claims against or Interests in the Debtors that: (a) vote to accept the Plan or are deemed to accept the plan or (b) both (i) abstain from voting, vote to reject the Plan, or are deemed to reject or presumed to accept the Plan ***and*** (ii) do not opt out of the releases provided by the Plan will be deemed to have consented to the release and discharge of all Claims and Causes of Action against the Debtors and the Released Parties. By opting out of the releases set forth in Article VIII of the Plan, such Holder will forgo the benefit of obtaining the releases set forth in Article VIII of the Plan to the extent such Holder is a Released Party.

## IV. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND PLAN

### A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors and similarly situated interest Holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

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

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

### B. Why are the Debtors sending me this Disclosure Statement?

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

### C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution under, the Plan, if any, depends on what type of Claim or Interest you hold. Each category of Holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." Each Class's respective voting status is set forth below.

**Class Identification**

| Class | Claim or Interest | Status | Voting Rights |
|---|---|---|---|
| Class 1 | Other Secured Claims | Unimpaired | Not Entitled to Vote (Deemed to Accept) |
| Class 2 | Other Priority Claims | Unimpaired | Not Entitled to Vote (Deemed to Accept) |
| Class 3 | 1.5 Lien Notes Claims | Unimpaired / Impaired | Not Entitled to Vote (Deemed to Accept) / Entitled to Vote |
| Class 4 | 1.75 Lien Term Loan Facility Claims | Impaired | Entitled to Vote |
| Class 5 | Second Lien Term Loan Facility Claims | Impaired | Entitled to Vote |
| Class 6 | Unsecured Notes Claims | Impaired | Entitled to Vote |
| Class 7 | GUC Claims | Impaired | Entitled to Vote |
| Class 8 | Raider Marketing Claims | Impaired | Not Entitled to Vote (Deemed to Reject) |
| Class 9 | Intercompany Claims | Unimpaired / Impaired | Not Entitled to Vote (Deemed to Accept/Reject) |
| Class 10 | Section 510(b) Claims | Impaired | Not Entitled to Vote (Deemed to Reject) |
| Class 11 | Intercompany Interests | Unimpaired | Not Entitled to Vote (Deemed to Accept) |
| Class 12 | Interests in EXCO | Impaired | Not Entitled to Vote (Deemed to Reject) |

### D. What will I receive from the Debtors if the Plan is consummated?

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

**THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[2]**

| SUMMARY OF EXPECTED RECOVERIES ON CLAIMS AGAINST THE DEBTORS | | | | |
|---|---|---|---|---|
| **Class** | **Claim/Equity Interest** | **Treatment of Claim/Equity Interest** | **Projected Amount of Claims** | **Projected Recovery Under the Plan** |
| 1 | Other Secured Claims | Except to the extent that a Holder of an Allowed Claim in Class 1 agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 1, each such Holder shall receive, at the option of the applicable Debtor(s) either: (i) payment in full in Cash; (ii) delivery of collateral securing any such Claim and payment of any interest required under section 506(b) of the Bankruptcy Code; (iii) Reinstatement of such Claim; or (iv) other treatment rendering such Claim Unimpaired. | [$3 million] | [100%] |
| 2 | Other Priority Claims | Except to the extent that a Holder of an Allowed Claim in Class 2 agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Claim in Class 2, each such Holder shall receive, at the option of the | [$15.8 million] | [100%] |

[2] The recoveries set forth below may change based upon changes in the amount of Claims that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means with respect to any Claim, except as otherwise provided in the Plan: (a) a Claim that is evidenced by a Proof of Claim or request for payment of an Administrative Claim Filed by the Claims Bar Date or Governmental Bar Date, as applicable (or for which Claim under the Plan, the Bankruptcy Code, or pursuant to a Final Order a Proof of Claim is not or shall not be required to be Filed); (b) a Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of Claim, as applicable, has been timely Filed; or (c) a Claim Allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; *provided* that with respect to a Claim described in clauses (a) and (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to such Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court, or such an objection is so interposed and the Claim, as applicable, shall have been Allowed by a Final Order. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no Proof of Claim is or has been timely Filed, is not considered Allowed and shall be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed Allowed unless and until such Entity pays in full the amount that it owes such Debtor or Reorganized Debtor, as applicable. For the avoidance of doubt, a Proof of Claim or request for payment of an Administrative Claim Filed after the Claims Bar Date or Governmental Bar Date, as applicable, shall not be Allowed for any purposes whatsoever absent entry of a Final Order allowing such late-Filed Claim. "Allow" and "Allowing" shall have correlative meanings.

| SUMMARY OF EXPECTED RECOVERIES ON CLAIMS AGAINST THE DEBTORS | | | | |
|---|---|---|---|---|
| **Class** | **Claim/Equity Interest** | **Treatment of Claim/Equity Interest** | **Projected Amount of Claims** | **Projected Recovery Under the Plan** |
| | | applicable Debtor(s) either: (i) payment in full in Cash; or (ii) other treatment rendering such Claim Unimpaired or otherwise permitted by the Bankruptcy Code. | | |
| 3 | 1.5 Lien Notes Claims | On the Effective Date, or as soon thereafter as reasonably practicable, except to the extent that a Holder of an Allowed 1.5 Lien Notes Claim agrees to less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed 1.5 Lien Notes Claim, each such Holder shall receive either: (i) payment in full in Cash from the proceeds of the Exit Term Loan Facility; or (ii) its Pro Rata share of the 1.5 Lien Take-Back Debt. | [$317.0 million][3] | [100%] |
| 4 | 1.75 Lien Term Loan Facility Claims | On the Effective Date, or as soon as reasonably practicable thereafter, except to the extent that a Holder of an Allowed 1.75 Lien Term Loan Facility Claim agrees to less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed 1.75 Lien Term Loan Facility Claim, each such Holder shall receive its Pro Rata share of 82 percent of the New Common Stock (subject to dilution by the Management Incentive Plan). | [$742.2 million] | [●] |
| 5 | Second Lien Term Loan Facility Claims | On the Effective Date, or as soon as reasonably practicable thereafter, except to the extent that a Holder of an Allowed Second Lien Term Loan Facility Claim agrees to less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Second Lien Term Loan Facility Claim, each such Holder shall receive [●]. | [$18.4 million] | [●] |
| 6 | Unsecured Notes Claims | On the Effective Date, or as soon as reasonably practicable thereafter, except to the extent that a Holder of an Allowed Unsecured Notes Claim agrees to less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Unsecured Notes Claim, each such Holder, | [$206.5 million] | [●] |

[3] Plus any accrued postpetition interest through the Effective Date.

| SUMMARY OF EXPECTED RECOVERIES ON CLAIMS AGAINST THE DEBTORS | | | | |
|---|---|---|---|---|
| **Class** | **Claim/Equity Interest** | **Treatment of Claim/Equity Interest** | **Projected Amount of Claims** | **Projected Recovery Under the Plan** |
| | | together with Class 7 GUC Claims, shall receive its Pro Rata share of the Unsecured Settlement Recovery. | | |
| 7 | GUC Claims | On the Effective Date, or as soon as reasonably practicable thereafter, (a) except to the extent that a Holder of an Allowed GUC Claim agrees to less favorable treatment of its allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed GUC Claim, each such Holder shall receive, as applicable, its Pro Rata share of either: (i) the Unsecured Settlement Recovery; or (ii) the Convenience Claims Distribution, and (b) except to the extent that a Holder of an Allowed Convenience Claim agrees to less favorable treatment of its allowed Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Convenience Claim, each such Holder, together with Class 6 Unsecured Notes Claims, shall receive its Pro Rata share of the Convenience Claims Distribution. | [$15.9 – $63.8 million] | [●] |
| 8 | Raider Marketing Claims | Each Raider Marketing Claim shall be deemed canceled, discharged, released, and extinguished, and there shall be no distribution to Holders of Raider Marketing Claims on account of such Claims. | [$448.2 million] | [●] |
| 9 | Intercompany Claims | Each Allowed Intercompany Claim shall be, at the option of the Debtors or Reorganized Debtors, either: (i) Reinstated; or (ii) canceled and shall receive no distribution on account of such Claims and may be compromised, extinguished, or settled after the Effective Date. | [●] | [●] |
| 10 | Section 510(b) Claims | Each Section 510(b) Claim shall be deemed canceled and released and there shall be no distribution to Holders of Section 510(b) Claims on account of such Claims. | [●] | [●] |
| 11 | Intercompany Interests | Intercompany Interests shall be Reinstated as of the Effective Date. | [●] | [●] |
| 12 | Interests in EXCO | On the Effective Date, existing Interests in EXCO shall be deemed canceled and released, and there shall be no distribution to Holders of Interests in EXCO on account of such Interests. | [●] | [●] |

### E. What will I receive under the Plan if I hold an Allowed Administrative Claim, Adequate Protection Claim, DIP Facility Claim, Priority Tax Claim, or Professional Fee Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Adequate Protection Claims, DIP Facility Claims, Priority Tax Claims, and Professional Fee Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan.

#### 1. Administrative Claims

##### (a) General Administrative Claims

General Administrative Claims will be satisfied as set forth in Article II.A of the Plan, as summarized herein. Each Holder of an Allowed General Administrative Claim will receive, in full satisfaction of its General Administrative Claim, Cash equal to the amount of such Allowed General Administrative Claim either: (a) on the Effective Date; (b) if the General Administrative Claim is not Allowed as of the Effective Date, 60 days after the date on which an order allowing such General Administrative Claim becomes a Final Order, or as soon thereafter as reasonably practicable; or (c) if the Allowed General Administrative Claim is based on a liability incurred by the Debtors in the ordinary course of their business after the Petition Date, pursuant to the terms and conditions of the particular transaction or agreement giving rise to such Allowed General Administrative Claim, without any further action by the Holders of such Allowed General Administrative Claim, and without any further notice to or action, order, or approval of the Bankruptcy Court.

##### (b) Professional Compensation

Professional Fee Claims will be satisfied as set forth in Article II.A of the Plan, as summarized herein. The amount of Professional Fee Claims owing to the Professionals shall be paid in Cash to such Professionals by the Reorganized Debtors from the Professional Fee Escrow Account as soon as reasonably practicable after such Professional Fee Claims are Allowed by a Final Order. When all such Allowed amounts owing to Professionals have been paid in full, any remaining amount in the Professional Fee Escrow Account shall promptly be paid to the Reorganized Debtors without any further action or order of the Bankruptcy Court. If the Professional Fee Escrow Account is insufficient to fund the full Allowed amounts of Professional Fee Claims, remaining unpaid Allowed Professional Fee Claims will be paid by the Debtors or the Reorganized Debtors.

#### 2. Adequate Protection Claims

Adequate Protection Claims will receive [●].

#### 3. DIP Facility Claims

DIP Facility Claims will be satisfied as set forth in Article II.C of the Plan, as summarized herein. Each Holder of an Allowed DIP Facility Claim shall be paid in full in Cash from the proceeds of the Exit RBL Facility. Upon the payment or satisfaction of the Allowed DIP Facility Claims, all Liens and security interests granted to secure the Allowed DIP Facility Claims shall be automatically terminated and of no further force and effect without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

**4. Priority Tax Claims**

Priority Tax Claims will be satisfied as set forth in Article II.B of the Plan, as summarized herein. Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall be treated in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code and, for the avoidance of doubt, Holders of Allowed Priority Tax Claims will receive interest on such Allowed Priority Tax Claims after the Effective Date in accordance with sections 511 and 1129(a)(9)(C) of the Bankruptcy Code. In the event an Allowed Priority Tax Claim is also a Secured Tax Claim, such Claim shall, to the extent it is Allowed, be treated in accordance with the terms set forth in section 1129(a)(9)(D) of the Bankruptcy Code and, if such Claim is not otherwise paid in full, as an Other Secured Claim.

**F. Are there any regulatory approvals required to consummate the Plan?**

No. There are no known regulatory approvals that are required to consummate the Plan.

**G. What happens to my recovery if the Plan is not confirmed or does not go effective?**

In the event that the Plan is not confirmed or does not go effective, there is no assurance that the Debtors will be able to reorganize their business. It is possible that any alternative may provide Holders of Claims and Interests with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* Section X.B of this Disclosure Statement, entitled "Best Interests of Creditors/Liquidation Analysis," which begins on page 67, and the Liquidation Analysis attached hereto as **Exhibit D**.

**H. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"**

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. *See* Article X of this Disclosure Statement, entitled "CONFIRMATION OF THE PLAN," which begins on page 67, for a discussion of the conditions precedent to consummation of the Plan.

In general, and unless otherwise provided in the Plan, each Holder of an Allowed Claim (or such Holder's affiliate) shall receive the full amount of the distributions that the Plan provides for Allowed Claims in each applicable Class on the date the Plan becomes effective—the "Effective Date"—or as soon as reasonably practicable thereafter (or, if a Claim is not an Allowed Claim on the Effective Date, on the date that such Claim becomes Allowed or as soon as reasonably practicable thereafter).

More detail regarding Plan distributions is set forth in Article VI of the Plan.

**I. What are the sources of Cash and other consideration required to fund the Plan?**

The Debtors shall fund distributions under the Plan with: (1) Cash on hand; (2) the Exit Facility; (3) the 1.5 Lien Take-Back Debt (if applicable); (4) the New Common Stock; and (5) the D&O Proceeds.

**J. Are there risks to owning the New Common Stock upon emergence from chapter 11?**

Yes. *See* Article VIII of this Disclosure Statement, entitled "RISK FACTORS," which begins on page 53.

**K. Is there potential litigation related to the Plan?**

Parties in interest may object to the approval of this Disclosure Statement and may object to Confirmation of the Plan as well, which objections potentially could give rise to litigation. *See* Article VIII.C.7 of this Disclosure Statement, entitled "The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising Out of the Chapter 11 Cases," which begins on page 65.

In the event that it becomes necessary to confirm the Plan over the objection of certain Classes, the Debtors may seek confirmation of the Plan notwithstanding the dissent of such objecting Classes. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if it determines that the Plan satisfies section 1129(b) of the Bankruptcy Code. *See* Article VIII.A.4 of this Disclosure Statement, entitled "The Debtors May Not Be Able to Secure Confirmation of the Plan," which begins on page 53.

**L. Will Royalty and Working Interests be affected by the Plan?**

No. Notwithstanding any other provisions in the Plan, on and after the Effective Date, all Royalty and Working Interests shall be preserved and remain in full force and effect in accordance with the terms of the granting instruments or other governing documents applicable to such Royalty and Working Interests, and no Royalty and Working Interests shall be compromised or discharged by the Plan, *provided however*, that any right to payment arising from a Royalty and Working Interest, if any, is treated by the Plan as a Claim and shall be subject to discharge and/or release.

**M. What is the Management Incentive Plan and how will it affect the distribution I receive under the Plan?**

[●]

**N. What will happen to Executory Contracts and Unexpired Leases under the Plan?**

On the Effective Date, except as otherwise provided herein, all Executory Contracts or Unexpired Leases of the Debtors will be deemed to be Assumed Executory Contracts or Unexpired Leases, in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, other than those Executory Contracts or Unexpired Leases that: (1) previously were assumed, assumed and assigned, or rejected by the Debtors; (2) are identified on the Rejected Executory Contract and Unexpired Lease List; (3) are the subject of a motion to reject Executory Contracts or Unexpired Leases that is pending on the Confirmation Date; or (4) are subject to a motion to reject an Executory Contract or Unexpired Lease pursuant to which the requested effective date of such rejection is after the Effective Date.

Any monetary defaults under each Assumed Executory Contract or Unexpired Lease shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date, or as soon as reasonably practicable thereafter or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. At least fourteen (14) days before the Confirmation Hearing, the Debtors will provide for notices of proposed assumption and proposed cure amounts to be sent to applicable third parties and for procedures for objecting thereto and resolution of disputes by the Bankruptcy Court. **Any objection by a counterparty to an Executory Contract or**

**Unexpired Lease to a proposed assumption or assumption and assignment or related cure amount must be Filed, served, and *actually received* by 4:00 p.m. (prevailing Central Time) on or before seven (7) days before the Confirmation Hearing.** If the Bankruptcy Court determines that the Allowed Cure Claim with respect to any Assumed Executory Contract or Unexpired Lease is greater than the amount set forth in the applicable cure notice, the Debtors or the Reorganized Debtors may add such Executory Contract or Unexpired Lease to the Rejected Executory Contracts and Unexpired Leases List, in which case such Executory Contract or Unexpired Lease will be deemed rejected as the Effective Date.

Unless otherwise provided by a Final Order of the Bankruptcy Court, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, **must** be Filed within 30 days after the later of: (1) the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection; and (2) the effective date of such rejection. All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as GUC Claims or Raider Marketing Claims, as applicable, and shall be treated in accordance with the Plan, unless a different security or priority is otherwise asserted in such Proof of Claim and Allowed in accordance with the Plan.

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the applicable Debtor or the Reorganized Debtor, and such entity shall be liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) that have not been rejected as of the date of Confirmation will survive and remain unaffected by entry of the Confirmation Order.

### O. Will the final amount of Allowed GUC Claims affect the recovery of Holders of Allowed GUC Claims under the Plan?

The Debtors estimate that the amount of Allowed GUC Claims could range from approximately $[15.9 million] to approximately $[63.8 million]. These ranges, and the corresponding ranges of potential recoveries resulting therefrom, depends on a number of contingencies, including, among others: (a) the determination to be made by the Debtors regarding the assumption and rejection of Executory Contracts and Unexpired Leases; (b) the amount of Claims from the rejection of Executory Contracts and Unexpired Leases; (c) the amount of Claims Filed by Governmental Units; (d) Claims arising from litigation against the Debtors; and (e) the Claims reconciliation process.

Although the estimated ranges of Allowed GUC Claims is the result of the Debtors' and their advisors' careful analysis of available information, GUC Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material. Further, the Debtors may object to certain proofs of claim, and any such objections ultimately could cause the total amount of Allowed GUC Claims to change. These changes could affect recoveries to Holders of Claims in Class 7, and such changes could be material.

### P. Will the final amount of Allowed Raider Marketing Claims affect the recovery of Holders of Allowed Raider Marketing Claims under the Plan?

Because Holders of Allowed Raider Marketing Claims shall receive no distribution on account of such Claims under the Plan, the final amount of Allowed Raider Marketing Claims will not affect the recoveries to Holders of Claims in Class 8.

**Q. How will Claims asserted with respect to rejection damages affect my recovery under the Plan?**

The Debtors currently estimate that Claims arising from the Debtors' rejection of Executory Contracts and Unexpired Leases total approximately $[420 million] in the aggregate. All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as GUC Claims or Raider Marketing Claims, as applicable, and shall be treated in accordance with the Plan, unless a different security or priority is otherwise asserted in such Proof of Claim and Allowed in accordance with Article VII of the Plan. Accordingly, to the extent that the actual amount of GUC Claims on account of rejection damages Claims changes, the value of recoveries to Holders of Claims in Class 7 could change as well, and such changes could be material. Because Holders of Allowed Raider Marketing Claims shall receive no distribution on account of such Claims under the Plan, the final amount of Allowed Raider Marketing Claims on account of rejection damages Claims will not affect the recoveries to Holders of Claims in Class 8.

**R. How will Governmental Claims affect my recovery under the Plan?**

The Debtors currently estimate that Unsecured Claims held by Governmental Units total approximately $[25,000]. Although the estimated value of Unsecured Claims Filed by Governmental Units is the result of the Debtors' and their advisors' careful analysis of available information, such Claims actually asserted against the Debtors may be higher than the Debtors' estimate provided herein, which difference could be material. Depending on the actual amount of Unsecured Claims from Governmental Units, the value of recoveries to Holders of Claims in Class 7 could change as well, and such changes could be material.

**S. How will the resolution of certain contingent, unliquidated, and disputed litigation Claims affect my recovery under the Plan?**

The Debtors estimate that the amount of Allowed GUC Claims could range from approximately $[15.9 million] to approximately $[63.8 million]. These amounts include the Debtors' reasonable estimate of certain contingent, unliquidated, and disputed litigation Claims known to the Debtors as of the date hereof, which generally are considered Unsecured Claims.

As of the Petition Date, the Debtors were parties to certain litigation matters that arose in the ordinary course of operating their business and could become parties to additional litigation in the future as a result of conduct that occurred prior to the Petition Date. Certain of these litigation matters are set forth more fully in section VII of this Disclosure Statement. Although the Debtors have disputed, are disputing, or will dispute in the future the amounts asserted by such litigation counterparties, to the extent these parties are ultimately entitled to a higher amount than is reflected in the amounts estimated by the Debtors herein, the value of recoveries to Holders of Claims in Class 7 could change as well, and such changes could be material.

Debtor Raider Marketing, LP ("Raider") was also party to certain litigation matters that arose in the ordinary course of operating its business and could become party to additional litigation in the future as a result of conduct that occurred prior to the Petition Date. However, because Holders of Allowed Raider Marketing Claims shall receive no distribution on account of such Claims under the Plan, such litigation against Raider will not affect the recoveries to Holders of Claims in Class 8.

**T. What happens to contingent, unliquidated, and disputed Claims under the Plan?**

As set forth in more detail in Article VII of the Plan, after the Effective Date, the applicable Reorganized Debtor(s) shall have the sole authority: (1) to File, withdraw, or litigate to judgment,

objections to Claims; (2) to settle or compromise any Disputed Claim without any further notice to or action, order, or approval by the Bankruptcy Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order, or approval by the Bankruptcy Court.

In addition, before or after the Effective Date, the Debtors or the Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. § 1334 to estimate any such Claim, including during the litigation of any objection to any Claim or during the appeal relating to such objection. Notwithstanding any provision to the contrary in the Plan, a Claim that has been expunged from the Claims Register, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute a maximum limitation on such Claim for all purposes under the Plan (including for purposes of distributions), and the relevant Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim.

As set forth in Article VII of the Plan, if an objection to a Claim or portion thereof is Filed, no payment or distribution provided under the Plan shall be made on account of such Disputed Claim or portion thereof unless and until such Disputed Claim becomes an Allowed Claim.

### U. How will the preservation of the Causes of Action impact my recovery under the Plan?

The Plan provides for the retention of all Causes of Action other than those that are expressly waived, relinquished, exculpated, released, compromised, or settled.

As set forth in Article IV of the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue any and all Causes of Action of the Debtors, whether arising before or after the Petition Date, including without limitation, any actions specifically enumerated in the Schedule of Retained Cause of Action, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date, other than the Causes of Action released by the Debtors pursuant to the releases and exculpations contained in the Plan, including in Article VIII of the Plan, which shall be deemed released and waived by the Debtors and Reorganized Debtors as of the Effective Date.

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

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

**V. Are the Debtors assuming any indemnification obligations for their current officers and directors under the Plan?**

As set forth more fully in Article V.E of the Plan, the Debtors and Reorganized Debtors will assume each of the Debtors' Indemnification Obligations in place as of the Effective Date, whether in the bylaws, certificates of incorporation or formation, limited liability company agreements, other organizational or formation documents, board resolutions, management or indemnification agreements, or employment contracts, for the current and former directors and the officers of the Debtors who served in such capacity at any time in their capacities as such, and such Indemnification Obligations shall not be modified, reduced, discharged, impaired, or otherwise affected in any way.

**W. Will there be releases and exculpation granted to parties in interest as part of the Plan?**

Yes, the Plan proposes to release the Released Parties and to exculpate the Exculpated Parties. The Debtors' releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts. All of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Debtors' restructuring through efforts to negotiate and implement the Plan, which will maximize and preserve the going-concern value of the Debtors for the benefit of all parties in interest. Accordingly, each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

Each Holder of a Claim or Interest that (1) votes to accept or is deemed to accept the Plan or (2) is in a voting Class and abstains from voting on the Plan, votes to reject the Plan, or is deemed to reject the Plan but does not opt out of the release provisions contained in Article VIII of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties. Holders of Claims or Interests that vote against the Plan automatically are deemed to refuse to grant these releases, and shall not receive the benefit of the releases contained in the Plan. The releases represent an integral element of the Plan.

Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard promulgated by the United States Court of Appeals for the Fifth Circuit. Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions. The release, exculpation, and injunction provisions that are contained in the Plan are copied below.

**1. Release of Liens**

**Except as otherwise specifically provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently**

**with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, except for Other Secured Claims that the Debtors elect to Reinstate in accordance with Article III.B.1 of the Plan, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors, and their successors and assigns (including Reorganized EXCO), in each case, without any further approval or order of the Bankruptcy Court and without any action or Filing being required to be made by the Debtors or the Reorganized Debtors, as applicable.**

**2. Releases by the Debtors**

**Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, on and after the Effective Date, each Released Party is deemed released and discharged by the Debtors, the Reorganized Debtors, and their Estates from any and all Claims and Causes of Action, whether known or unknown, including any derivative claims, asserted on behalf of the Debtors, that the Debtors, the Reorganized Debtors, or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the Holder of any Claim or Interest, based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the day-to-day management of the Debtors, any decisions made or not made by the Debtors' board members, and/or the ownership or operation of the Debtors), Reorganized EXCO (including the formation thereof, if applicable), the Debtors' in or out-of-court restructuring efforts (including but not limited to the transactions consummated in 2015 and 2017), intercompany transactions, the Intercreditor Agreement, the 1.5 Lien Notes Indenture, the 1.75 Lien Credit Agreement, the Second Lien Credit Agreement, the 2018 Unsecured Notes Indenture, the 2022 Unsecured Notes Indenture, the New Organizational Documents (if any), the DIP Order (and any payments or transfers in connection therewith), any preference or avoidance claim pursuant to sections 544, 547, 548, and 549 of the Bankruptcy Code, the formulation, preparation, dissemination, negotiation, or consummation of the Exit Facility, the 1.5 Lien Take-Back Debt (if applicable), the Settlement, the Mediation, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Exit Facility, the 1.5 Lien Take-Back Debt (if applicable), the Chapter 11 Cases, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan (if any), or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party or Entity under the Plan, any Restructuring Transaction, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.**

**Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described herein, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that the releases described herein are: (1) in exchange for the good and valuable consideration provided by or on behalf of the Released Parties; (2) a good faith settlement and compromise of the Claims or Causes of Action released herein (3) in the best interests of the Debtors and all Holders of Claims and Interests; (4) fair, equitable, and reasonable; (5) given and made after due notice and opportunity for hearing; and (6) a bar to any of the Debtors, the Reorganized Debtors,**

**or the Debtors' Estates asserting any Claim or Cause of Action released pursuant to the releases described herein.**

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

**As of the Effective Date, except to enforce distribution under the Plan, each Releasing Party is deemed to have released and discharged each Debtor, Reorganized Debtor, and Released Party from any and all Claims and Causes of Action, including Claims and Causes of Action, whether known or unknown, including any derivative claims, asserted on behalf of the Debtors, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the day-to-day management of the Debtors, any decisions made or not made by the Debtors' board members, and/or the ownership or operation of the Debtors), Reorganized EXCO (including the formation thereof), the Debtors' in- or out-of-court restructuring efforts, intercompany transactions, transactions pursuant and/or related to the Intercreditor Agreement, the 1.5 Lien Notes Indenture, the 1.75 Lien Credit Agreement, the Second Lien Credit Agreement, the 2018 Unsecured Notes Indenture, the 2022 Unsecured Notes Indenture, the New Organizational Documents, the DIP Order (and any payments or transfers in connection therewith), the formulation, preparation, dissemination, negotiation, or consummation of the Exit Facility, or the 1.5 Lien Take-Back Debt (if applicable), the Settlement, the Mediation, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Exit Facility or the 1.5 Lien Take-Back Debt (if applicable), the Chapter 11 Cases, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the administration and implementation of the Plan, including the issuance or distribution of Securities pursuant to the Plan (if any), or the distribution of property under the Plan, or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date related or relating to the foregoing.**

**Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described herein, which includes by reference each of the related provisions and definitions contained herein, and, further, shall constitute the Bankruptcy Court's finding that each release described herein is: (1) consensual; (2) essential to the Confirmation of the Plan; (3) given in exchange for the good and valuable consideration provided by the Released Parties; (4) a good faith settlement and compromise of such Claims, or Causes of Action; (5) in the best interests of the Debtors and their Estates; (6) fair, equitable, and reasonable; (7) given and made after due notice and opportunity for hearing; and (8) a bar to any of the Releasing Parties asserting any claim or Cause of Action released pursuant to the releases described herein.**

**4. Exculpation**

**Except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur liability for, and each Exculpated Party is hereby released and exculpated from, any Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the Mediation, the formulation, preparation, dissemination, negotiation, Filing, or termination of any prepetition transactions, the Disclosure Statement, the Plan, or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the Disclosure Statement, the Plan, the Exit Facility, the 1.5 Lien Take-Back Debt (if applicable), the**

**Filing of the Chapter 11 Cases, the negotiation, terms, or execution of the settlement agreements effectuated pursuant to Federal Rule of Bankruptcy Procedure 9019, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance of Securities pursuant to the Plan (if any), or the distribution of property under the Plan, or any other related agreement, except for claims related to any act or omission that is determined in a final order to have constituted actual fraud, willful misconduct, or gross negligence, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to or in connection with the Plan and the Restructuring Transactions. The Exculpated Parties have, and upon completion of the Plan shall be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of, and distribution of, consideration pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.**

**5. Injunction**

**Except as otherwise expressly provided in the Plan or for obligations issued or required to be paid pursuant to the Plan or the Confirmation Order, all Entities that have held, hold, or may hold claims or interests that have been released pursuant to Article VIII.D or Article VIII.E of the Plan, shall be discharged pursuant to Article VIII.B of the Plan, or are subject to exculpation pursuant to Article VIII.F of the Plan, are permanently enjoined, from and after the Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Reorganized Debtors, or the Released Parties: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such claims or interests; (2) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such claims or interests; (3) creating, perfecting, or enforcing any lien or encumbrance of any kind against such Entities or the property or the estates of such Entities on account of or in connection with or with respect to any such claims or interests; (4) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such claims or interests unless such Entity has timely asserted such setoff right in a document Filed with the Bankruptcy Court explicitly preserving such setoff, and notwithstanding an indication of a claim or interest or otherwise that such Entity asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (5) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such claims or interests released or settled pursuant to the Plan.**

**6. Release of Insurers and Policies**

**Upon the Debtors' receipt of the D&O Proceeds in cleared funds, the parties to the Settlement, on behalf of themselves, their predecessors, successors, affiliates and assigns, and all persons acting by, through or under them, and each of them, fully release and forever discharge the D&O Carriers, together with their predecessors, successors, affiliates, and assigns, and all persons acting by, through or under them, from all known and unknown claims, liabilities, obligations, promises, agreements, (including the D&O Liability Insurance Policies), controversies, damages, actions, causes of action, suits, rights, demands, costs, losses, debts, penalties, fees and expenses (including attorneys' fees and costs), of any nature whatsoever, whether or not apparent or yet to be discovered, related to the Debtors, provided that nothing in this section releases (a) any party to the Settlement from its obligations under the Settlement; (b) any party to the Settlement from its liability for breach of any term, warranty, or representation in the Settlement; or (c) the D&O Carriers from**

**payment of Defense Costs (as defined in and in accordance with the terms of the D&O Liability Insurance Policies) incurred in connection with the Settlement. The D&O Carriers' payment of the D&O Proceeds and any Defense Costs (as defined in the D&O Liability Insurance Policies) is deemed to have exhausted the limits of the D&O Liability Insurance Policies. Moreover, except as provided in Article VIII.J, upon the Debtors' receipt of the D&O Proceeds in cleared funds, the D&O Liability Insurance Policies are immediately discharged and cancelled, and the D&O Carriers are immediately released from any and all obligations under the D&O Liability Insurance Policies. Notwithstanding any language in the Settlement or Plan, as of the Effective Date, no party may pursue or file any action that implicates the D&O Liability Insurance Policies.**

**7. Bar Order and Channeling Injunction**

**Except as otherwise specifically provided in the Plan, the Enjoined Parties shall be permanently barred, restrained, and enjoined from ever:**

**1. commencing, asserting, continuing, filing, conducting, or bringing, directly, indirectly, or derivatively, any Claim, demand, suit, action, or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative, or other forum), against (a) any of the Released Parties, or their respective property, including the proceeds of such property, with regard to all matters arising out of or related to any involvement of any of the Released Parties whatsoever in transactions, acts, or events in any manner related to the debtors and their predecessors, affiliates, successors, principals, directors, officers, and related entities, and (b) the D&O Carriers with regard to any and all claims under the D&O Liability Insurance Policies, including but not limited to, matters relating to (i) the Asserted Claims; (ii) the Debtors' failure to perform under any agreement with any of the Enjoined Parties or failure to perform any obligation owed to any of the Enjoined Parties; (iii) the Debtors' breach of contract, breach of warranty or breach of any other obligation owed to any of the Enjoined Parties as a result of the same, or upon breach of any duty owed to any Enjoined Parties whether based upon a theory of law or equity; or (iv) the Debtors' or any of the Released Parties' conduct, individually or collectively, or any transaction or agreement by and among any of the Debtors' directors and officers, and any of the Released Parties;**

**2. asserting, continuing, filing, conducting, or bringing, directly, indirectly, or derivatively, any Claim, demand, suit, action, or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative, or other forum), against any of the Released Parties, or their respective property, including the proceeds of such property that would result in the avoidance of allegedly fraudulent (actual or constructive) or preferential transfers from the Debtors to any of the Released Parties, regardless of whether such Released Party is the initial or subsequent transferee, and/or recovery of such allegedly fraudulent (actual or constructive) or preferential transfers from such Released Party;**

**3. enforcing, levying, employing legal process (including proceedings supplementary), whether prejudgment or post-judgment, attaching, garnishing, sequestering, collecting, or otherwise recovering by any means or in any manner, any Claims against (a) the Released Parties, or their respective property, including the proceeds of such property, with regard to all matters arising out of or related to any involvement of any of the Released Parties whatsoever in transactions, acts, or events in any manner related to the Debtors, and their predecessors, affiliates, successors, principals, directors, officers, and related entities; and (b) the D&O Carriers with regard to any and all Claims under the D&O Liability Insurance Policies, including but not limited to, matters relating to (i) the Asserted Claims; (ii) the Debtors' failure to perform under any agreement with any of the Enjoined Parties or failure to perform any obligation owed to any of the Enjoined Parties; (iii) the Debtors' breach of contract, breach of warranty or breach of any other obligation owed to any of the Enjoined**

**Parties as a result of the same, or upon breach of any duty owed to any Enjoined Parties whether based upon a theory of law or equity; or (4) the Debtors' conduct, or any transaction or agreement by and among any of the Debtors' directors and officers, and any of the Released Parties;**

**4. pursuing, aiding, or abetting any action brought by any person or entity seeking recovery, contribution and/or indemnity from (a) any of the Released Parties, or their respective property, including the proceeds of such property, with regard to all matters arising out of or related to any involvement of any of the Released Parties whatsoever in transactions, acts, or events in any manner related to the Debtors and their predecessors, affiliates, successors, principals, directors, officers, and related entities, and (b) the D&O Carriers with regard to any and all Claims under the D&O Liability Insurance Policies, including but not limited to, matters relating to (i) the Asserted Claims; (ii) the Debtors' failure to perform under any agreement with any of the Enjoined Parties or failure to perform any obligation owed to any of the Enjoined Parties; (iii) the Debtors' breach of contract, breach of warranty or breach of any other obligation owed to any of the Enjoined Parties as a result of the same, or upon breach of any duty owed to any Enjoined Parties whether based upon a theory of law or equity; or (iv) the Debtors' or the Released Parties' conduct, individually or collectively, or any transaction or agreement by and among any of the Debtors' directors and officers, and any of the Released Parties;**

**5. enforcing any terms set forth in any settlement agreement by and among any of the Released Parties and any of the Enjoined Parties that would resolve, compromise, or settle Claims that would otherwise be enjoined by the bar order or the channeling injunction set forth in this section; and**

**6. pursuing any of the Enjoined Claims recited herein as they relate to any Claims against retained professionals including accountants and legal counsel as well as their agents and assigns of any of the Released Parties (collectively, the foregoing as described in this section herein are referred to as the "Enjoined Claims"). The injunction described in this section shall be referred to as the "Channeling Injunction."**

The Bankruptcy Court shall expressly retain jurisdiction in enforcing, implementing and interpreting the scope of the Bar Order and Channeling Injunction. In the event that any party brings a claim or action against any of the Released Parties subsequent to the entry of the Bar Order which relates to the activities of the Debtors or implicates the D&O Liability Insurance Policies in any manner, then such Released Party may seek an expedited hearing with the Bankruptcy Court to determine whether such claim or action should be enjoined. In making such determination, the Bankruptcy Court may apply to the Released Parties the same protections afforded a court-appointed receiver or trustee under the "Barton Doctrine" as set forth in *Barton v. Barbour*, 104 U.S. 126 (1881) and its progeny. If a person pursues such action or claim and the Bankruptcy Court enforces the Bar Order or Channeling Injunction against them, the Bankruptcy Court may award the Released Parties attorneys' fees and costs. Should the Bankruptcy Court refuse or decline to approve the Bar Order and Channeling Injunction *in toto* or in the format set forth herein, and the Parties are unable to revise the Bar Order and Channeling Injunction in a format acceptable to the D&Os and the D&O Carriers and approved by the Bankruptcy Court, then the D&Os may withdraw from the Settlement, the D&O Proceeds shall be returned in full, and the Parties shall be returned to their respective positions as set forth above. The automatic stay shall be lifted, to the extent it may be applicable, to permit the D&O Carriers to contribute the D&O Proceeds.

**8. Exceptions to Release of Insurers and Policies, Bar Order, and Channeling Injunction**

**Notwithstanding the foregoing, the parties to the Settlement recognize that claims potentially covered by the D&O Liability Insurance Policies might be filed against the Debtors, the Reorganized**

**Debtors, or any of the D&Os after the Effective Date, by individuals or entities who are not parties to the Settlement (the "Potential Future Claims"). The Debtors, the Insureds, and the D&O Carriers believe that any and all such claims would be released and/or discharged by the Plan, the Confirmation Order, and/or 11 U.S.C. § 1141. However, if any Potential Future Claims are filed, the Debtors, the Reorganized Debtors, and the D&Os will have the same rights to coverage under the D&O Liability Insurance Policies as they did prior to the entry of the Settlement and D&O Carriers will have the same rights and defenses with respect to coverage as they did prior to the entry of the Settlement except for the fact that the payments made pursuant to the Settlement will be charged against the limits under the applicable policy**

### X. What impact does the Claims Bar Date have on my Claim?

On February 28, 2018, the Debtors Filed their schedules of assets and liabilities and statement of financial affairs with the Bankruptcy Court pursuant to section 521 of the Bankruptcy Code (collectively, as amended from time to time, the "Schedules"). The Bankruptcy Code allows a bankruptcy court to fix the time within which proofs of claim must be Filed in a chapter 11 case.

The Bankruptcy Court established April 16, 2018, at 5:00 p.m. (prevailing Central Time), as the claims bar date for all entities other than Governmental Units (the "Claims Bar Date") in the Chapter 11 Cases, and September 4, 2018 as the claims bar date for Governmental Units (the "Governmental Bar Date").

In accordance with Bankruptcy Rule 3003(c)(2), if any person or Entity that is required, but fails, to File a Proof of Claim on or before the Claims Bar Date, except in the case of certain exceptions explicitly set forth in the order setting the Claims Bar Date and the Governmental Bar Date [Docket No. 448] (the "Bar Date Order") or by further order of the Bankruptcy Court, such person or Entity will be: (1) barred from asserting such Claims against the Debtors in these Chapter 11 Cases; (2) precluded from voting on any plans of reorganization Filed in these Chapter 11 Cases; and (3) precluded from receiving distributions from the Debtors on account of such Claims in these Chapter 11 Cases. Notwithstanding the foregoing, a Holder of a Claim shall be able to assert, vote upon, and receive distributions under the Plan, or any other plan of reorganization or liquidation in the Chapter 11 Cases, to the extent, and in such amount, as any undisputed, non-contingent, and liquidated Claims identified in the Schedules on behalf of such Claim Holder.

As described in this Disclosure Statement, the distribution you receive on account of your Claim (if any) may depend, in part, on the amount of Claims for which Proofs of Claim are Filed on or before the Claims Bar Date.

### Y. What is the deadline to vote on the Plan?

The deadline by which Holders of Claims may vote to accept or reject the Plan (the "Voting Deadline") is [●], 2018, at 4:00 p.m. (prevailing Central Time).

### Z. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to Holders of Claims that are entitled to vote on the Plan. For a vote to be counted, ballots must be completed, signed, returned as directed, and actually ***received*** by [●], 2018, at 4:00 p.m. (prevailing Central Time), the Voting Deadline. Holders of Class 6 Unsecured Notes Claims should return their ballot to their nominee, allowing enough time for the nominee to include the vote on a master ballot, and submit the master ballot by the Voting Deadline. *See* Article IX of this Disclosure Statement, entitled "SOLICITATION AND VOTING PROCEDURES," which begins on page 66.

**AA. Why is the Bankruptcy Court holding a Confirmation Hearing?**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan.

**BB. When is the Confirmation Hearing set to occur?**

The Bankruptcy Court has scheduled the Confirmation Hearing for [●], 2018, at [●:●] [a./p.m.] (prevailing Central Time). The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation of the Plan must be Filed and served on the Debtors, and certain other parties, by no later than [●], 2018, at 4:00 p.m. (prevailing Central Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as **Exhibit C** and incorporated herein by reference.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing, the national edition of the *Wall Street Journal* to provide notification to those persons who may not receive notice by mail. The Debtors may also publish the notice of the Confirmation Hearing in such trade or other publications as the Debtors may choose.

**CC. What is the purpose of the Confirmation Hearing?**

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of such plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

**DD. What is the effect of the Plan on the Debtors' ongoing business?**

The Debtors will reorganize under chapter 11 of the Bankruptcy Code. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Debtors that is the first business day after which all conditions to Consummation have been satisfied or waived. *See* Article IX of the Plan. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their business and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

**EE. Will any party have significant influence over the corporate governance and operations of the Debtors following consummation of the Plan?**

As of the Effective Date, the term of the current members of the boards of directors of the Debtors shall expire, and the initial boards of directors, including the Reorganized EXCO Board, as well as the officers of each of the Reorganized Debtors, shall be appointed in accordance with the New Organizational Documents and other constituent documents of each Reorganized Debtor. The initial Reorganized EXCO

Board shall consist of [●]. Successors will be elected in accordance with the New Organizational Documents of Reorganized EXCO, which forms shall be included in the Plan Supplement.

**FF. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?**

If you have any questions regarding this Disclosure Statement or the Plan, please contact:

*By regular mail, hand delivery, or overnight mail:*

EXCO Resources, Inc.
c/o Epiq Bankruptcy Solutions, LLC
10300 SW Allen Blvd.
Beaverton, Oregon 97005

*By electronic mail:*
tabulation@epiqglobal.com with a reference to
"EXCO" in the subject line

*By telephone:*
1-(800)-683-4332 (toll free)

Copies of the Plan, this Disclosure Statement, and any other publicly Filed documents in the Chapter 11 Cases are available upon written request to the Notice and Claims Agent at the address above or by downloading the documents from the website of the Debtors' Notice and Claims Agent at http://dm.epiq11.com/ERI (free of charge) or the Bankruptcy Court's website at http://www.txs.uscourts.gov (for a fee).

**GG. Do the Debtors recommend voting in favor of the Plan?**

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Debtors believe the Plan, which will result in meaningful recoveries for creditors and a significant deleveraging of the Debtors' balance sheet and enables them to emerge from chapter 11 expeditiously, is in the best interest of all Holders of Claims, and that any other alternatives (to the extent they exist) fail to realize or recognize the value inherent under the Plan.

**HH. Who Supports the Plan?**

The Plan is supported by the Debtors and [●], as set forth in the following chart:

| Consenting Parties | Support (expressed as an approximate percentage of the total principal amount of claims outstanding) |
|---|---|
| Debtors | N/A |
| [●] | [●] percent |

### II. What is the Committee's position on the Plan?

Following extensive negotiations with all parties in interest and the mediation process described herein, the Committee has agreed in principle to the proposed economic treatment of Unsecured Notes Claims and GUC Claims contained in the proposed Plan—18% of the New Common Stock and $15.35 million in Cash. However, as of the date this Disclosure Statement is being filed, certain terms of the Plan, which are material to the Committee, remain under discussion among the Committee, the Debtors, prepetition secured lenders, and other key constituencies. These issues must be satisfactorily resolved before the Committee can become a Proponent and recommend that Holders of Unsecured Notes Claims and GUC Claims vote in favor of the Plan. These open issues include, but are not limited to: (a) minority protections and other corporate governance issues, including but not limited to the designation and composition of the Reorganized EXCO Board; (b) certain Plan matters which could have an impact on the distribution to Holders of Unsecured Notes Claims and GUC Claims, and (c) the scope of releases. The Committee is committed to working with the Debtors, the petition secured lenders, and other key constituencies over the next few weeks in an effort to satisfactorily resolve these issues prior to the hearing on the Disclosure Statement. Accordingly, the Committee reserves all rights with regard to the Plan and the settlement embodied in the Plan.

## V. THE DEBTORS' CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW

### A. The Debtors

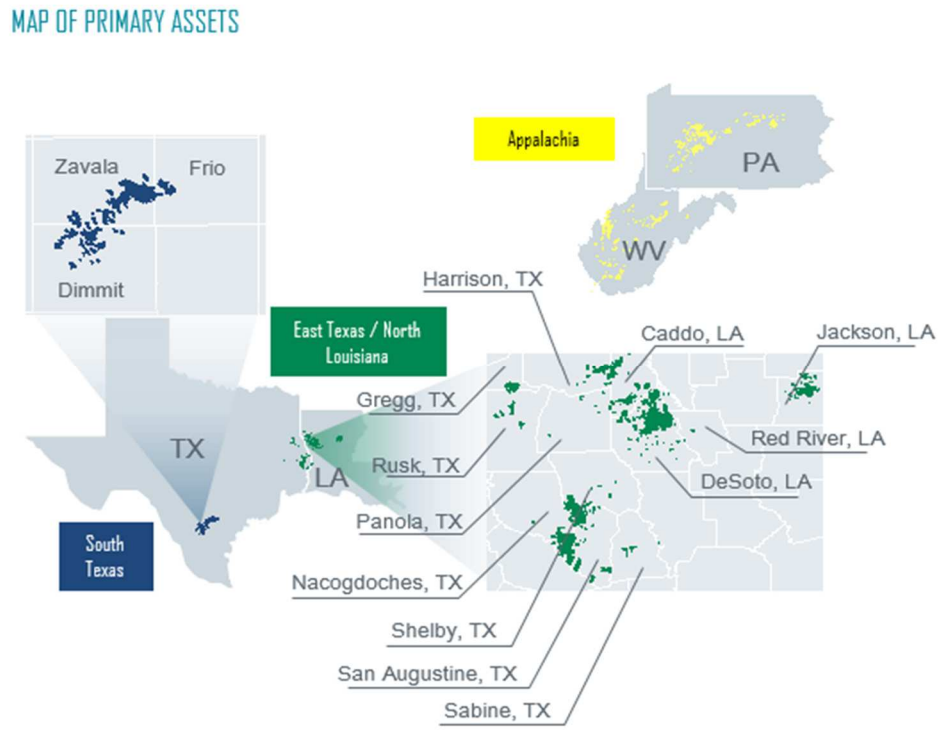
The Debtors are an independent oil and natural gas company engaged in exploration, exploitation, acquisition, development, and production activities in onshore U.S. oil and natural gas properties with a focus on shale resource plays. The Debtors' principal operations are conducted in certain key U.S. oil and natural gas areas including Texas, Louisiana, and the Appalachia region. Headquartered in Dallas, Texas, the Debtors employed approximately 170 individuals as of the Petition Date. A corporate organization chart is attached as **Exhibit B**. Below is a summary of the Debtors' business and operations.

### B. Assets and Operations

EXCO is a Texas corporation founded and incorporated in September 1955. Prior to July 2003, EXCO had registered equity securities that were publicly traded on the NASDAQ National Market. On July 29, 2003, EXCO consummated a going private transaction pursuant to which it became a wholly-owned subsidiary of EXCO Holdings. In February 2006, the Debtors executed an initial public offering of equity (the "IPO") with an approximately $650 million market capitalization. Beginning in 2008, the Debtors' business focused on key North American oil and natural gas production areas, primarily from their Louisiana, Texas, and Appalachia shale plays. The Debtors are highly-efficient operators, making use of enhanced drilling and completion technologies.

As of the Petition Date, the Debtors had a gas-levered asset portfolio with significant, high quality drilling inventory, with significant positions in several of the most active E&P regions, including the East Texas/North Louisiana region, Appalachia region, and South Texas region.

As of December 31, 2017, the Debtors held interests in approximately 1,181 gross producing wells, 869 of which are Debtor-operated, had approximately 715,200 gross total acres under lease, and had estimated proved reserves of approximately 556.9 Bcfe of natural gas based on Securities & Exchange Commission parameters. In 2017, the Debtors' E&P activities yielded total production of approximately 255 Mmcfe/d and adjusted EBITDA of approximately $54.4 million. The Debtors' adjusted EBITDA prior to 2018 was negatively impacted by certain contracts requiring fixed costs for utilized and unutilized capacity and above-market rates associated with certain midstream agreements, as well as legal and professional fees related to the restructuring process.




### 1. East Texas/North Louisiana Region

East Texas/North Louisiana is the Debtors' largest producing region with operations focused in the Haynesville and Bossier shales. As of the Petition Date, the Debtors' East Texas/North Louisiana acreage position consisted of approximately 98,100 net acres in the core of the Haynesville and Bossier shale plays in East Texas and North Louisiana, and 795 wells, 529 of which were operated by the Debtors, primarily located in DeSoto and Caddo Parishes in Louisiana and in Harrison, Panola, Shelby, San Augustine, and Nacogdoches Counties in Texas. The Debtors completed an additional 11 gross operated wells in this region in 2018 and expect to begin the completion of seven additional gross operated wells in North Louisiana during late 2018.

### 2. South Texas Region

The Debtors maintained approximately 49,700 net acres as of the Petition Date in the Eagle Ford shale in South Texas, covering portions of Zavala, Frio, and Dimmit counties. The Debtors' current business plan projects drilling and completing an additional 16 gross operated wells in this region through the end of 2018. The Debtors significantly reduced operating costs in this region since the acquisition of these properties in 2013 by reducing service costs with key vendors, including saltwater disposal costs and chemical treatment programs. In addition, the Debtors renegotiated sales contracts that improved the net realized price for oil production in the region. The Debtors also executed a definitive agreement in April 2017 to divest its South Texas assets with a subsidiary of Venado Oil and Gas, LLC ("Venado") for a purchase price of $300 million. The transaction originally was expected to close on June 1, 2017, and would have substantially increased the Debtors' liquidity position. The Debtors intended to use the proceeds of the Venado transaction to fund the drilling and development of its core Haynesville and Bossier shale assets in the East Texas/North Louisiana region and pay down certain of its outstanding indebtedness.

As conditions to the Venado agreement, the Debtors were required to (a) operate in the ordinary course of business in all material respects during the period from and after signing until the closing of the agreement, and (b) represent and warrant that all material contracts are in full force in effect at the closing of the transaction. As a result of the termination of a material natural gas sales contract, the Debtors were unable to satisfy the material contract representation in the Venado agreement and the agreement was mutually terminated on August 15, 2017. Further, due to such cancelation, in January 2018 the Debtors commenced flaring natural gas gathered in the South Texas region pursuant to temporary flare permits. On March 14, 2018, the Debtors went before the applicable regulatory agency at a hearing regarding required permits to continue such flaring (the "Flaring Application"). The Debtors expect that a ruling by the agency regarding the Flaring Application will be issued by February 2019. Further, the Debtors continue to evaluate alternatives including construction of a Debtor-owned gathering system and negotiation of a new gathering agreement.

### 3. Appalachia Region

The Debtors maintained approximately 180,700 net acres as of the Petition Date in the Appalachia region, with interests primarily in Pennsylvania and West Virginia. On February 27, 2018, the Debtors closed a settlement agreement with a subsidiary of Royal Dutch Shell, plc ("Shell") to resolve arbitration regarding the Debtors' right to participate in an area of mutual interest in the Appalachia region. The settlement increased the Debtors' acreage in the Appalachia region by approximately 177,700 net acres, and the production from the additional interests in producing wells acquired was 26 net Mmcfe/d during December 2017. The Debtors' operations in the Appalachia region have primarily included testing and selectively developing the Marcellus shale with horizontal drilling. The Debtors are currently assessing the potential of the Utica shale formation. The Debtors expect the development of the Marcellus and Utica shales in the Appalachia region could provide the Debtors with significant upside potential. The Debtors' 2018 plan included the pipeline connection of one Marcellus well. The Debtors' Pennsylvania and West Virginia shale position is primarily held by production through third-party shallow well operators. The Debtors acquired the West Virginia and Pennsylvania interests in order to apply their core competencies in the development of unconventional resource plays, which have been honed over years of operating in the Haynesville shale.

### 4. Transportation Agreements

To ensure pipeline capacity to transport their natural gas production from the wellhead to points of sale, the Debtors entered into certain long-term firm transportation agreements and gas sales contracts beginning in 2009. Initially, the firm transportation agreements were entered into by EXCO and EXCO Operating Company, LP and, as discussed below, were subsequently moved by operation of law to Raider

through an internal corporate merger. Over time, these agreements put pressure on the Debtors' ability to effectively manage their business due to above-market rates and the Debtors' reduced need for the fixed capacity. The Debtors engaged in extensive negotiations with their contract counter-parties over the course of several months seeking to renegotiate such contracts; despite such efforts, the Debtors ultimately were unable to amend the contracts to reduce the significant Cash expenditures incurred thereunder.

In August 2016, the Debtors created Raider, a marketing affiliate. To effectuate the creation of Raider, Debtor EXCO Operating Company, LP underwent a divisional merger under a Texas state statute. A divisional merger is a division of an entity's assets and liabilities among that entity and a newly-formed entity. Both entities survive the merger. In this case, EXCO Operating Company, LP was the surviving entity and Raider was the newly-formed marketing entity under the merger. The merger moved by operation of law certain of EXCO Operating Company, LP's agreements for natural gas sales, marketing, gathering, and transportation to Raider.

In addition to being a party to the Debtors' midstream agreements, Raider also provides certain marketing services to the Debtors and its working interest partners and royalty owners, including the purchase and resale of natural gas from third-party producers and Debtor-operated wells in Texas and Louisiana. One of Raider's business purposes is to separately manage the Debtors' marketing activities, a corporate structure that is common practice in the E&P industry. Further, as a distinct entity, Raider can independently pursue marketing opportunities separate from the services provided to the Debtors. Raider charges a three percent fee for these marketing services, a portion of which is passed on to working interest owners in the related wells, to the extent allowable under the applicable agreements.

### C. Prepetition Capital Structure

As of the Petition Date, the Debtors had approximately $1.43 billion in total funded debt obligations (excluding Make-Whole Claims). The following table depicts the Debtors' prepetition capital structure:

| Debt | Approx. Principal and Accrued Interest Outstanding ($mm) |
|---|---|
| RBL Facility | $150.0[4] |
| 1.5 Lien Notes Claims | 317.0 |
| 1.5 Lien Makewhole Claims | 28.4 |
| 1.75 Lien Term Loan Facility Claims | 737.7 |
| 1.75 Lien Makewhole Claims | 165.0 |
| Second Lien Term Loan Facility Claims | 17.9 |
| **Total Secured Debt (without Make-Whole Claims)** | **$1.223 billion** |
| **Total Secured Debt (with Make-Whole Claims)** | **$1.416 billion** |
| 2018 Unsecured Notes Claims | $134.9 |
| 2022 Unsecured Notes Claims | 71.7 |
| **Total Unsecured Notes Claims** | **$206.5 million** |
| **Total Debt (without Makewhole Claims)** | **$1.429 billion** |
| **Total Debt (with Makewhole Claims)** | **$1.622 billion** |

[4] Including outstanding letters of credit.

### 1. RBL Facility

Prior to the Petition Date, the Debtors maintained a reserve-based revolving first lien credit facility (the "RBL Facility") under that certain Amended and Restated Credit Agreement, dated as of July 31, 2013 (as amended, restated or otherwise modified from time to time, the "RBL Credit Agreement"), by and among EXCO, as borrower, the guarantors party thereto, JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, together with its permitted successors and assigns, the "RBL Agent"), and the other lender and agent parties thereto. Borrowings under the RBL Credit Agreement were subject to a borrowing base that was adjusted semi-annually based on the value of the Debtors' oil and gas reserves, subject to certain procedures set forth in the RBL Credit Agreement.[5] The RBL Facility borrowing base was $150 million as of the Petition Date.

The RBL Credit Agreement was amended nine times. The Debtors amended the RBL Credit Agreement in March 2017 to reduce the borrowing base from $285 million to $150 million and modify certain financial covenants as part of the 2017 Refinancing Transactions (as defined below). Subsequently, the RBL Credit Agreement was amended in September 2017 to waive certain covenants. The RBL Credit Agreement was amended in November 2017 to include a waiver of certain events of default potentially caused by the Debtors' nonpayment under a firm transportation agreement.

On September 7, 2017, the Debtors borrowed the remaining approximately $88 million available under the RBL Facility. As of the Petition Date, there was approximately $126 million in aggregate principal amount of revolving loans and approximately $24 million on account of letters of credit outstanding under the RBL Facility.

Following the Petition Date, the RBL Facility was paid off in full with proceeds of the DIP Facility. Pursuant to the DIP Order, the RBL Facility was indefeasibly refinanced in full, including interest (at the non-default contract rate) and fees through the date of repayment, which was deemed to have occurred upon entry of the DIP Order.

### 2. 1.5 Lien Notes

As of the Petition Date, the Debtors had approximately $317.0 million in principal and accrued interest outstanding of 1.5 Lien Notes, issued under the 1.5 Lien Notes Indenture, by and among EXCO, as issuer, the guarantors party thereto, and Wilmington Trust, N.A., as indenture trustee.

The 1.5 Lien Notes bear interest at a rate of either 8 percent per annum for Cash payments (the "Cash Rate") or a rate of 11 percent per annum for "in kind" payments (the "PIK Rate"), which payments may be issued either in the form of additional debt ("PIK Notes") or shares of common stock in EXCO ("PIK Shares"). Since March 2017, the Debtors have made certain interest payments on the 1.5 Lien Notes in payments of PIK Notes to preserve liquidity. The 1.5 Lien Notes are secured by liens that are junior in priority to the liens securing the RBL Facility and senior in priority to the liens securing the 1.75 Lien Term Loan Facility and the Second Lien Term Loan Facility on substantially all of the Debtors' assets.

Additionally, the 1.5 Lien Notes Indenture includes an optional redemption provision permitting EXCO to repay the 1.5 Lien Notes before their scheduled date of maturity. The 1.5 Lien Notes Indenture provides that EXCO may redeem the 1.5 Lien Notes at any time prior to the maturity date at a redemption

[5] The RBL Facility originally provided for an initial maximum borrowing base of $1.6 billion with an initial available borrowing base of $1.3 billion.

price equal to 100 percent of the principal amount plus an applicable premium. "Applicable Premium" is defined as an amount that approximates the present discounted value of all future interest payments.

**3. 1.75 Lien Term Loan Facility**

As of the Petition Date, the Debtors had approximately $737.7 million in principal and accrued interest outstanding under the 1.75 lien term loan facility (the "1.75 Lien Term Loan Facility"), incurred under the 1.75 Lien Credit Agreement, by and among EXCO, as borrower, the Debtor guarantors party thereto, Wilmington Trust, N.A., as administrative agent and collateral trustee, and the lender parties thereto.

The 1.75 Lien Term Loan Facility bears interests at a Cash Rate of 12.5 percent per annum, and a PIK Rate of 15 percent per annum. Since March 2017, the Debtors have paid interest on the 1.75 Lien Term Loan Facility at the PIK Rate through both PIK Shares and PIK Notes. The 1.75 Lien Term Loan Facility is secured by liens that are junior in priority to the liens securing the RBL Facility and the 1.5 Lien Notes and senior in priority to the liens securing the Second Lien Term Loan Facility on substantially all of the Debtors' assets.

Additionally, the 1.75 Lien Credit Agreement includes an optional redemption provision, permitting EXCO to repay the 1.75 Lien Term Loan Facility before the scheduled date of maturity. The 1.75 Lien Credit Agreement provides that EXCO may repay all or any portion of the 1.75 Lien Term Loan Facility at any time prior to the maturity date at a price equal to 100 percent of the principal amount plus the "Make-Whole Amount." "Make-Whole Amount" is defined as the prepayment price of the applicable term loans plus all interest that would have accrued on the applicable term loans from the date of repayment through the maturity date. The 1.75 Lien Credit Agreement provides for the payment of certain fees and the "Make-Whole Amount" in the event any mandatory or voluntary repayment or prepayment, including as a result of the termination of the 1.75 Lien Credit Agreement after the occurrence and during the continuation of an event of default, including an event of default resulting from the filing of a voluntary petition for bankruptcy protection, resulting in the 1.75 Lien Makewhole Claims.

**4. Second Lien Term Loan Facility**

The Debtors closed (a) a 12.5 percent senior secured second lien term loan with certain affiliates of Fairfax Financial Holdings Ltd. in an aggregate principal amount of $300.0 million (the "Fairfax Term Loan") on October 26, 2015 and (b) a 12.5 percent senior secured second lien term loan with certain of the Debtors' then-unsecured noteholders in an aggregate principal amount of $291.3 million on October 26, 2015 and $108.7 million on November 4, 2015 (the "Exchange Second Lien Term Loan," and together with the Fairfax Term Loan, the "Second Lien Term Loan Facility") pursuant to that certain Term Loan Agreement, dated as of October 19, 2015 (as amended, restated, or otherwise modified from time to time, the "Second Lien Credit Agreement"), by and among EXCO, as borrower, the guarantors party thereto, Global Loan Advisory Services (previously Wilmington Trust, N.A.), as administrative agent and collateral trustee, and the other lenders party thereto.

In 2017, the Debtors exchanged approximately $682.8 million of loans under the 1.75 Lien Term Loan Facility to satisfy the outstanding Fairfax Term Loan in full and the majority of the then-outstanding loans under the Second Lien Term Loan Facility. As part of the exchange, each exchanging holder of the Second Lien Term Loan Facility was deemed to consent to certain amendments to the Second Lien Credit Agreement that eliminated substantially all of the restrictive covenants and events of default.

As of the Petition Date, the Debtors had approximately $17.9 million in principal and accrued interest outstanding on account of the Second Lien Term Loan Facility. The Second Lien Term Loan Facility bears interest at a rate of 12.5 percent per annum and matures in October 2020. The Second Lien

Term Loan Facility is secured by liens that are junior in priority to the liens securing the RBL Facility, the 1.5 Lien Notes, and the 1.75 Lien Term Loan Facility on substantially all of the Debtors' assets.

#### 5. Unsecured Notes

As of the Petition Date, the Debtors had approximately $134.9 million in principal and accrued interest outstanding of 2018 Unsecured Notes and approximately $71.7 million in principal and accrued interest outstanding of 2022 Unsecured Notes, by and among EXCO, as issuer, the other guarantors party thereto, and Wilmington Savings Fund Society, FSB, as indenture trustee. The 2018 Unsecured Notes and the 2022 Unsecured Notes mature in 2018 and 2022, respectively, and require semi-annual coupon payments at 7.5 percent and 8.5 percent per annum, respectively.

#### 6. Common Shares and Units

Until December 2017, the Debtors' common stock traded on the NYSE, under ticker symbol "XCO." The Debtors' common stock currently trades on the OTC Pink Marketplace, under the symbol "XCOOQ." As of the Petition Date, there were approximately 22 million shares of common stock authorized and outstanding and the common stock traded at $0.36 per share, implying a market capitalization of approximately $8 million.

In 2017, the Debtors issued three series of warrants in connection with the 2017 Refinancing Transactions (as defined below), certain of which have since been cancelled.

## VI. EVENTS LEADING TO THE CHAPTER 11 FILINGS

### A. Adverse Market Conditions and Liquidity Constraints

The difficulties faced by the Debtors are consistent with those faced industry-wide. Oil and gas companies and others have been challenged by low natural gas prices for years. Natural gas prices fell from a peak of $12.50 per MMBtu in June 2008 to $1.73 per MMBtu by March 2016, and remained at approximately $3.00 per MMBtu as of the Petition Date. The price of crude oil has similarly plummeted from a high of $157.73 per barrel in June 2008 to a low of $29.64 per barrel in January 2016. Crude oil prices remained at approximately $65.00 per barrel as of the Petition Date.

These market conditions have affected oil and gas companies at every level of the industry around the world. All companies in the oil and gas industry (not just E&P companies) have felt these effects. However, independent oil and gas companies have been especially hard-hit, as their revenues are generated from the sale of unrefined oil and gas. Over 100 oil and gas companies have filed for chapter 11 since the beginning of 2015, including most recently Bonanza Creek Energy, Inc., Memorial Production Partners LP, Vanguard Natural Resources, LLC, Seadrill Limited, and Cobalt International Energy Inc. Numerous other oil and gas companies have defaulted on their debt obligations, negotiated amendments or covenant relief with creditors to avoid defaulting, or have effectuated out-of-court restructurings. The current volatility in the commodity markets has made it especially difficult for some companies to execute on any viable out-of-court restructuring alternatives.

In addition, the capital intensive nature of the Debtors' business resulted in an overleveraged capital structure that made it difficult to withstand the adverse economic climate. The Debtors were also burdened with fixed commitments related to above-market and underutilized natural gas gathering, transportation, and certain other fixed-cost agreements that further strained their ability to sustain the weight of their capital structure and devote the capital necessary to maintain and grow their business.

### B. Proactive Approach to Addressing Liquidity Constraints

Beginning in 2015, the Debtors began evaluating and subsequently implementing a liability management strategy that focused on, among other things, managing liquidity constraints, asset portfolio repositioning, operational performance, capital deployment, and risk management. Since that time, the Debtors have implemented a number of initiatives designed to further this strategy.

#### 1. Operational Responses

##### (a) Operational Efficiencies

The Debtors increased their focus on becoming a low-cost producer and developing projects that have a higher rate of return. To this end, the Debtors executed additional drilling and exploration projects to identify and develop further reserves in core areas at low costs. Further, the Debtors added reserves through leasing and undeveloped acreage acquisition opportunities to maximize returns in their core areas. Finally, the Debtors dedicated themselves to the continuous improvement and innovation of existing wells through modifying design in order to maximize their return on capital. Specifically, the Debtors improved individual well performance through the use of extended laterals, increased use of proppant, and optimal well spacing.

##### (b) Reduced Operating Expenses

The Debtors spent the years leading up to the Chapter 11 Cases exercising fiscal discipline to transform the company. The Debtors decreased their lease operating expenses by approximately 46 percent since 2014 through reductions in labor costs, modifications to chemical programs, renegotiation of certain contracts, enhanced use of well site automation, optimization of work schedule, and reductions in workover activity. Despite extensive negotiations aimed at renegotiating rates and volume commitments under certain sales, gathering, and firm transportation agreements, the Debtors were unable to secure meaningful cost savings under such agreements. The Debtors also decreased headcount by approximately 70 percent since year end 2014, further reducing general and administrative expenses as compared to prior years. This has contributed to a 54 percent reduction in the Debtors' general and administrative expenses since 2014.

##### (c) Asset Sales

The Debtors divested certain non-core assets in Appalachia throughout 2016, resulting in a reduction of the Debtors' significant plugging and abandonment liabilities, and contributing to an approximately 85 percent reduction in field employee headcount in the Appalachian region. Additionally, the Debtors entered into an agreement with a subsidiary of Venado in April 2017 for the sale of the Debtors oil and natural gas properties and surface acreage in South Texas for a purchase price of $300 million. The agreement was terminated on August 15, 2017, as discussed more fully herein, as a result of the Debtors' inability to satisfy a material contract representation.

#### 2. Financial Responses

In conjunction with implementation of their liability management strategy, the Debtors executed a series of refinancing transactions intended to reduce Cash interest payments and overall leverage.

##### (a) 2015 Refinancing Transaction

In the fourth quarter of 2015, the Debtors executed a series of transactions (the "2015 Refinancing Transactions") that resulted in the issuance of the Second Lien Term Loan Facility and utilized the proceeds thereof to reduce indebtedness under the RBL Facility, the 2018 Unsecured Notes, and the 2022 Unsecured

Notes. Seaport Global Securities, LLC ("Seaport") provided a fairness opinion to the board of directors of EXCO Resources, Inc. (the "Board") that concluded that the issuance of the Second Lien Term Loan Facility was fair or was not less favorable than could reasonably be obtained in an arm's-length transaction. Additionally in the fourth quarter of 2015, the Debtors repurchased $40.8 million in principal of the 2018 Unsecured Notes through open market purchases with $12.0 million in Cash. Together, these transactions reduced the Debtors' then-outstanding leverage by approximately $454 million.

**3. 2016 Tender Offer**

In 2016, the Debtors completed a Cash tender offer for their outstanding unsecured notes that resulted in the repurchase of an aggregate of approximately $101.3 million in principal amount of the 2022 Unsecured Notes for an aggregate purchase price of approximately $40.0 million. In addition, the Debtors repurchased an aggregate of approximately $26.4 million and $51.4 million in principal amount of the 2018 Unsecured Notes and 2022 Unsecured Notes, respectively, with an aggregate of approximately $13.3 million in Cash through open market repurchases in 2016.

**4. 2017 Refinancing Transactions**

In 2017, the Debtors entered into a series of transactions (the "2017 Refinancing Transactions") in response to liquidity constraints and to reduce the Cash burden of future interest payments. In March 2017, the Debtors issued approximately $300 million in 1.5 Lien Notes that included the option to pay interest in PIK Shares or PIK Notes. The proceeds from this issuance were primarily used to repay outstanding indebtedness under the RBL Credit Agreement. The Debtors also exchanged $683 million of Second Lien Term Loans for a like amount of loans under the 1.75 Lien Term Loan Facility that also included the option to pay interest in PIK Shares or PIK Notes. These transactions increased pro forma liquidity by approximately $116 million as of the transaction dates, and had the potential to reduce Cash interest payments up to approximately $109 million per year, or approximately $433 million through maturity, with the option to pay interest PIK Shares or PIK Notes on the 1.5 Lien Notes and 1.75 Lien Term Loan Facility.

The Debtors utilized the ability to make interest payments on the 1.75 Lien Term Loan Facility in PIK Shares and issued 2.7 million PIK Shares in June 2017. Following the substantial decline in the stock price of EXCO throughout 2017, however, the Debtors were unable to continue to make interest payments on the 1.5 Lien Notes and the 1.75 Lien Term Loan Facility in PIK Shares due to limitations in the relevant credit documents, including certain change of control provisions. As a result, rather than paying interest in PIK Shares, the Debtors issued an additional $17 million aggregate principal amount of 1.5 Lien Notes and $26.2 million aggregate principal amount of the 1.75 Lien Term Loan Facility, respectively, in September 2017. In December 2017, the Debtors, in consultation with their advisors, determined not to make the December 20, 2017 interest payment due under the 1.75 Lien Credit Agreement as they were unable to pay in Cash pursuant to the terms of their debt agreements or in PIK Shares or PIK Notes without either effectuating a change of control or breaching their existing debt agreements.

In connection with the 2017 Refinancing Transactions, the Board initially approved entry into a financing agreement with a third party for which definitive documentation was prepared. This agreement required the consent of certain lenders under the Second Lien Term Loan Facility that could not be obtained. The Board was presented with an alternative financing proposal that was ultimately approved by an independent committee of the Board. Additionally, Credit Suisse Securities (USA) LLC led a full marketing process and served as sole placement agent and book runner to the Debtors on the 1.5 Lien Notes and debt advisor to the Debtors on the 2017 Refinancing Transactions. Further, Seaport provided a fairness opinion to the Board that concluded that the issuance of the 1.5 Lien Notes and the exchange transaction was fair or was not less favorable than could reasonably be obtained in an arm's-length transaction.

As a part of the same transactions, the Debtors amended the RBL Credit Agreement to establish a borrowing base of $150 million, permit the issuance of the 1.5 Lien Notes and loans under the 1.75 Lien Term Loan Facility, and modify certain financial covenants.

**5. Strategic Responses**

**(a) Retention of Restructuring Advisors**

In July 2017, the Debtors retained Kirkland & Ellis LLP ("K&E") as legal advisor to assist the Board and management with a review of all strategic alternatives. In August 2017, the Debtors retained PJT Partners, LP ("PJT") as investment bankers and Alvarez & Marsal North America, LLC ("A&M") as restructuring advisors, and continued the process of exploring all strategic alternatives, including a comprehensive restructuring through negotiations with various stakeholders.

**(b) Revolver Draw**

On September 7, 2017, following discussions and the recommendation of their advisors, the Debtors borrowed the remaining approximately $88 million availability outstanding under the RBL Facility. Access to this additional liquidity, which in the Debtors' view was the least expensive source of liquidity available, proved critical to the Debtors' ability to fund operations during negotiations with all major creditor constituencies regarding the terms of a consensual balance sheet restructuring.

**(c) Governance Matters**

Prior to the Petition Date, the Board had multiple subcommittees, including an audit committee (the "Audit Committee"), a compensation committee, a nominating and corporate governance committee, and a technical committee. Since June 2004, the Audit Committee was charged with recommending the appointment of independent registered public accountants, reviewing internal accounting procedures and financial statements, and consulting with and reviewing the services provided by the Debtors' independent registered public accountants, including the results and scope of their audit. In July 2017, prior to engaging in formal restructuring negotiations, the Board adopted a resolution expanding the authority of the Audit Committee to explore strategic alternatives to strengthen the Debtors' balance sheet and maximize the value of the Debtors' assets, and to consider all restructuring-related matters. Specifically, the Audit Committee's authority was expanded to include:

- exploring such strategic and/or financial alternatives as the Audit Committee may determine to be advisable for EXCO and its stakeholders in light of EXCO's Cash flow, liquidity, and general financial condition, including refinancing or new capital raising transactions, amendments to or restructuring of the existing indebtedness and other obligations of EXCO, or a potential sale of the Company or any of its assets, and the commencement of judicial processes or out-of-court implementation of restructuring and recapitalization transaction for EXCO, including the filing of a voluntary petition under chapter 11 of the Bankruptcy Code (each of the foregoing and any combination of the foregoing, a "Restructuring Transaction");

- monitoring and participating in the negotiations for a Restructuring Transaction;

- considering and accepting any such Restructuring Transaction that is in the best interests of EXCO and its estate on behalf of the Board;

- negotiating and approving the filing of (i) any motion, order, and related documentation regarding the use of cash collateral and incurrence of debtor-in-possession financing, (ii) a chapter 11 plan for EXCO implementing the terms of a Restructuring Transaction, (iii) a

disclosure statement to solicit votes for such chapter 11 plan among constituencies permitted to vote for such chapter 11 plan under the Bankruptcy Code, and (iv) all other papers or documents related thereto or to a chapter 11 case (collectively, the "Chapter 11 Filings");

- approving any and all modifications to any Chapter 11 Filing; and

- regularly updating and advising the Board as to any matters considered or undertaken by the Audit Committee or as the Board may otherwise request.

As of June 2017, the Board was comprised of B. James Ford, Anthony R. Horton, Randall E. King, Samuel A. Mitchell, Robert L. Stillwell, Stephen J. Toy, and C. John Wilder. Subsequently, all of the non-independent directors and one of the NYSE independent directors resigned from the Board. As of the Petition Date, the Board was comprised of three members, each of whom is an NYSE independent director and also a member of the Audit Committee.

**(d) Discussions with Creditors**

Beginning in the summer of 2017, the Debtors, with the assistance of their advisors, commenced comprehensive restructuring negotiations with all major creditor constituencies, including the RBL Agent, a super-majority of its secured creditors, and certain unsecured noteholders, including an ad hoc committee of such creditors. Substantive discussions began in mid-October 2017, and continued up to the Petition Date. These discussions did not result in an agreement among the parties regarding restructuring transaction.

Simultaneously with these discussions, the Debtors engaged with the ad hoc unsecured noteholders committee and facilitated significant due diligence efforts. On October 19, 2017, the Debtors held an in-person meeting with advisors to the ad hoc unsecured noteholders committee at which the Debtors' management presented their go-forward business plan. Following this meeting, the Debtors and the advisors to the ad hoc unsecured noteholders committee had multiple conferences regarding details of the Debtors' business plan and potential outstanding claims against the Debtors. Importantly, the Debtors worked closely with counsel to the ad hoc unsecured noteholders committee on a mortgage analysis for all of the Debtors' oil and gas assets as well as providing the ad hoc unsecured noteholders committee with information regarding various collateral security documents, financial models, and pending litigation. The Debtors also engaged with the single large unsecured noteholder, and its advisor, that is not part of the ad hoc unsecured noteholders committee.

In December 2017, the Debtors, in consultation with their advisors, determined that they would not make the December 20, 2017 interest payment due under the 1.75 Lien Credit Agreement or the December 29, 2017 interest payment due under the Second Lien Credit Agreement. In mid-December 2017, simultaneously with the debtor-in-possession financing marketing process described below, certain of the Debtors' secured creditors approached the Debtors regarding entry into forbearance agreements through mid-January 2018 with respect to certain specified defaults, including the Debtors' non-payment of interest under the 1.75 Lien Term Loan Facility, to provide all parties with additional time to engage in negotiations regarding the terms of a consensual restructuring transaction. The Debtors subsequently entered into forbearance agreements with a majority of their lenders under each of the RBL Facility, the 1.5 Lien Notes, and the 1.75 Lien Term Loan Facility.

## VII. MATERIAL DEVELOPMENTS AND ANTICIPATED EVENTS OF THE CHAPTER 11 CASES

### A. First Day Relief

On the Petition Date, along with their voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Petitions"), the Debtors Filed several motions (the "First Day Motions") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations, by, among other things, easing the strain on the Debtors' relationships with employees, vendors, and customers following the commencement of the Chapter 11 Cases. On January 16, and January 18, 2018, the Bankruptcy Court entered orders approving the First Day Motions on either an interim or final basis. Hearings to approve certain of the First Day Motions on a final basis were held on February 13, 2018 and February 22, 2018. The First Day Motions, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at http://dm.epiq11.com/ERI.

#### 1. DIP Motion

On January 16, 2018 the Debtors Filed the *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Secured Financing, (II) Granting Liens and Providing Superpriority Administrative Expense Claims, (III) Authorizing the Use of Cash Collateral, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* [Docket No. 28] (the "DIP Motion"), requesting that the Bankruptcy Court approve the DIP Facility in the amount of $180.4 million on an interim basis and $250 million on a final basis, provided by Fairfax, Bluescape, and JPMorgan (each as defined in the DIP Motion) (collectively, the "DIP Lenders").

The Debtors received objections to the DIP Motion from each of: (a) Cross Sound Management LLC ("Cross Sound") [Docket No. 38]; (b) OOGC America LLC ("OOGC") [Docket No. 58]; and (c) Archrock Partners Operating LLC ("Archrock") and Cogent Energy Services ("Cogent") [Docket No. 78]. Cross Sound argued that (a) the DIP Credit Agreement (as defined in the DIP Motion) unfairly provided control over the chapter 11 cases to the DIP Lenders; and (b) the Interim Order (as defined in the DIP Motion) unfairly provided releases and protection against collateral diminution to the DIP Lenders and impermissibly truncated the period in which the Committee could bring a lien challenge. OOGC's objection was limited to ensuring the preservation of pre-existing liens, due to a perceived ambiguity in the DIP Credit Agreement regarding liens securing obligations older than thirty (30) days. Archrock and Cogent's joint objection was also limited to seeking clarifying and protective language regarding the preservation of prepetition liens.

On January 18, 2018, the Debtors Filed a response to Cross Sound's objection [Docket No. 72], along with a revised proposed Interim Order to address the concerns raised by Cross Sound, OOGC, Archrock, Cogent, and other informal objectors [Docket No. 90]. Following a hearing, the Bankruptcy Court entered the Interim Order, as revised to reflect certain additional concerns raised at the hearing, approving of the DIP Motion on an interim basis [Docket No. 97].

Following entry of the Interim Order, the Debtors received further responses or objections to the DIP Motion from each of: (a) BHP Billiton Petroleum (KCS Resources), LLC, et. al. ("BHP") [Docket No. 213]; (b) The Williams Companies, Inc. ("Williams") [Docket No. 298]; (c) BG US Production Company, LLC ("BG") [Docket No. 299]; (d) Gen IV Investment Opportunities, LLC and VEGA Asset Partners, LLC (together, the "GEN IV Secured Parties") [Docket No. 313]. BHP sought to protect its rights in the Debtors' collateral through segregation of certain funds and inclusion of protective language in the Final Order (as defined in the DIP Motion). Williams similarly sought the addition of protective language to the Final Order to protect its contract rights under certain gathering agreements, and BG sought to

preserve any potential liens it may have. The GEN IV Secured Parties Filed a reservation of rights to ensure equality of treatment between prepetition secured lenders with regard to payment of professionals' fees.

On February 21, 2018, the Debtors Filed a revised proposed Final Order [Docket No. 340], and on February 22, 2018, the Bankruptcy Court entered the DIP Order, approving the DIP Motion on a final basis [Docket No. 348].

**(a) Committee Challenge Period Extension**

Pursuant to the DIP Order, if no challenge is timely Filed by the Debtors, the Committee, or any other party in interest within the period of ninety (90) days following the formation of the Committee (the "Challenge Period"), the Prepetition Secured Obligations (as defined in the DIP Order) shall constitute Allowed Claims with valid and binding liens not subject to challenge. On April 4, 2019, the Debtors, in consultation with the prepetition secured lenders and the Committee, Filed a stipulation and agreed order [Docket No. 592] to extend the Challenge Period through and including June 1, 2018, solely with respect to the Debtors, the Committee, and the Committee members, to allow the Debtors and the Committee to continue to investigate potential challenges. On April 24, 2018, the Bankruptcy Court entered an order [Docket No. 669] so extending the Challenge Period. On May 31, 2018, the Bankruptcy Court entered an order [Docket No. 780] further extending the Challenge Period through and including August 1, 2018, solely with respect to the Debtors, the Committee, and the Committee members. On July 30, 2018, the Bankruptcy Court entered an order [Docket No. 926] further extending the Challenge Period through and including October 15, 2018, solely with respect to the Debtors, the Committee, and the Committee members. On October 1, 2018, the Bankruptcy Court entered an order further extending the Challenge Period through and including December 31, 2018, solely with respect to the Debtors, Committee, and the Committee members [Docket No. 1099].

**2. Cash Management Motion**

On January 16, 2018, the Debtors Filed the *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System and Maintain Existing Bank Accounts and (B) Continue to Perform Intercompany Transactions, and (II) Granting Related Relief* [Docket No. 8] (the "Cash Management Motion") seeking authorization to (a) continue to operate their cash management system and maintain their existing bank accounts, including honoring certain prepetition obligations related thereto; and (b) continue to perform intercompany transactions consistent with historical practice. On January 18, 2018, the Debtors Filed a revised proposed order [Docket No. 85] clarifying that the Debtors would comply with the requirements of section 345 of the Bankruptcy Code following entry of an order approving the Cash Management Motion. On January 18, 2018, the Bankruptcy Court entered an order (the "Final Cash Management Order") approving the Cash Management Motion on a final basis [Docket No. 101].

On February 1, 2018, BHP Filed a motion (the "Reconsideration Motion") [Docket No. 212] requesting that the Bankruptcy Court reconsider the Final Cash Management Order. On February 16, 2018, the Debtors Filed a revised proposed amended order [Docket No. 309] addressing BHP's concerns. On February 22 2018, the Bankruptcy Court granted the Reconsideration Motion and entered the Cash Management Order approving the Cash Management Motion on a final basis, as revised [Docket No. 348].

**3. Other Operational Motions**

The Debtors also Filed several other motions on the Petition Date seeking relief to facilitate their operation in the ordinary course, including:

- Royalty Payments Motion. The *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Payment of (A) Obligations Owed to Holders of Mineral and Other Interests and Non-Op Working Interests and (B) Joint Interest Billings, and (II) Granting Related Relief* [Docket No. 10] (the "Royalty Payments Motion"), seeking authorization for payment or application of funds attributable to (i) Mineral and Other Interests and Non-Op Working Interests (each as defined in the Royalty Payments Motion) and (ii) JIBs (as defined in the Royalty Payments Motion). On January 18, 2018, the Debtors Filed a revised proposed order clarifying that the Debtors would not pay any obligations unless due or deemed necessary to be paid in their business judgment prior to entry of a final order. On January 18, 2018, the Bankruptcy Court entered an order approving the Royalty Payments Motion on an interim basis [Docket No. 103]. Following receipt of an objection from BHP Billiton Petroleum (KCS Resources), LLC, et. al. [Docket No. 266] to the Royalty Payments Motion, the Debtors Filed a revised proposed order [Docket No. 281] (the "Revised Final Royalty Payments Order"). On February 13, 2018, the Bankruptcy Court entered the Revised Final Royalty Payments Order, as further revised to reflect certain additional concerns raised by certain parties, including the Committee, approving the Royalty Payments Motion on a final basis [Docket No. 285].

- Lienholders Motion. The *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Payment of (A) Operating Expenses, (B) Marketing Expenses, (C) Shipping and Warehousing Claims, and (D) 503(B)(9) Claims, and (II) Granting Related Relief* [Docket No. 11] (the "Lienholders Motion"), seeking authorization to pay in the ordinary course of business all undisputed, liquidated, prepetition amounts owing on account of (i) operating expenses, (ii) marketing expenses, (iii) shipping and warehousing claims, and (iv) 503(b)(9) claims. On January 18, 2018, the Bankruptcy Court entered an order approving the Lienholders Motion on an interim basis [Docket No. 104]. On February 13, 2018, the Bankruptcy Court entered an order approving the Lienholders Motion on a final basis [Docket No. 286].

- Taxes Motion. The *Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Payment of Certain Prepetition Taxes and Fees and (II) Granting Related Relief* [Docket No. 12] (the "Taxes Motion"), seeking authorization to pay certain prepetition taxes and fees as they come due on a postposition basis. On January 18, 2018, the Debtors Filed a revised proposed order clarifying that the Debtors would not pay any obligations unless due or deemed necessary to be paid in their business judgment prior to entry of a final order. On January 18, 2018, Court entered an order approving the Taxes Motion on a final basis [Docket No. 105].

- Utilities Motion. The *Debtors' Emergency Motion for Entry of an Order (I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Services, (III) Approving the Debtors' Proposed Procedures for Resolving Additional Assurance Requests, and (IV) Granting Related Relief* [Docket No. 13] (the "Utilities Motion"), seeking approval of the Debtors' proposed adequate assurance of payment for future utility services, and prohibiting utility companies from altering, refusing, or discontinuing service. On January 18, 2018, the Bankruptcy Court entered an order approving the Utilities Motion on a final basis [Docket No. 106].

- Equity Trading Procedures Motion. The *Debtors' Emergency Motion for Entry of Interim and Final Orders Approving Notification and Hearing Procedures for Certain Transfers of and Declarations of Worthlessness with Respect to Common Stock and Granting Related Relief* [Docket No. 14] (the "Equity Trading Procedures Motion"), seeking approval of certain notification and hearing procedures (the "Equity Trading Procedures") related to certain

transfers of, or declarations of worthlessness with respect to, Debtor EXCO Resources, Inc.'s existing common stock and directing that any purchase, sale, other transfer of, or declaration of worthlessness in violation of the Equity Trading Procedures be null and void *ab initio*. On January 18, 2018, the Bankruptcy Court entered an order approving the Equity Trading Procedures Motion on an interim basis [Docket No. 110]. On February 12, 2018, the Debtors Filed a revised proposed order [Docket No. 278] (the "Revised Final Equity Procedures Order") entitling the DIP Agent to least five days' notice of any proposed waiver of the Equity Trading Procedures. On February 13, 2018, the Bankruptcy Court entered the Revised Final Equity Procedures Order, approving the Equity Trading Procedures Motion on a final basis [Docket No. 287].

- Sell Down Procedures Motion. The *Debtors' Emergency Motion for Entry of an Order Establishing a Record Date for Notice and Sell-Down Procedures For Trading in Certain Claims Against the Debtors Estates* [Docket No. 15] (the "Sell Down Procedures Motion"), seeking to establish an effective date (the "Sell Down Record Date") for notification and sell-down procedures for trading in claims against the Debtors' estates. On January 18, 2018, the Bankruptcy Court entered an order setting January 18, 2018 as the Sell Down Record Date and approving certain notices related thereto [Docket No. 107].

- Insurance Motion. The *Debtors' Emergency Motion for Entry of an Order Authorizing the Debtors to (I) Continue Insurance Coverage Entered Into Prepetition and Satisfy Prepetition Obligations Related Thereto, (II) Renew, Amend, Supplement, Extend, Or Purchase Insurance Policies, (III) Honor the Terms of the Premium Financing Agreements and Pay Premiums Thereunder, (IV) Enter Into New Premium Financing Agreements in the Ordinary Course of Business and (V) Granting Related Relief* [Docket No. 16] (the "Insurance Motion"), seeking authorization to pay for and continue the Debtors' insurance coverage in the ordinary course of business. On January 18, 2018, the Bankruptcy Court entered an order approving the Insurance Motion on a final basis [Docket No. 108].

- Surety Bond Motion. The *Debtors' Emergency Motion for Entry of an Order (I) Approving Continuation of the Surety Bond Program and (II) Granting Related Relief* [Docket No. 17] (the "Surety Bond Motion"), seeking authorization to maintain, renew, and modify their surety bond program in the ordinary course. On January 18, 2018, the Debtors Filed a revised proposed order [Docket No. 79] (the "Revised Surety Bond Order") clarifying that the Debtors would not provide additional forms of collateral to secure the surety bonds without further court order. On January 18, 2018, Court entered the Revised Surety Bond Order, approving the Surety Bond Motion on a final basis [Docket No. 109].

**B. Other Procedural and Administrative Motions**

The Debtors also Filed several other motions to further facilitate the smooth and efficient administration of the Chapter 11 Cases and reduce the administrative burdens associated therewith, including:

- Joint Administration Motion. The *Debtors' Emergency Motion for Entry of an Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief* [Docket No. 2] (the "Joint Administration Motion"), Filed on January 15, 2018, seeking the procedural consolidation and joint administration of the Debtors' chapter 11 cases under the case of EXCO Resources, Inc. On January 16, 2018, the Bankruptcy Court entered an order approving the Joint Administration Motion on a final basis [Docket No. 18].

- Creditor Matrix Motion. The *Debtors' Emergency Motion for Entry of an Order (I) Authorizing Consolidated Creditors Lists, (II) Authorizing Redaction of Certain Personal Identification Information, (III) Waiving the Requirement to File Equity Lists and Modifying Equity Holder Notice Requirements, and (IV) Approving the Form and Manner of Notifying Creditors of the Commencement of the Chapter 11 Cases and Other Information* [Docket No. 5] (the "Creditor Matrix Motion"), Filed on January 16, 2018, seeking approval of certain procedures for providing information to creditors. On January 18, 2018, the Bankruptcy Court entered an order approving the Creditor Matrix Motion on a final basis [Docket No. 98].

- SOFA Extension Motion. The *Debtors' Emergency Motion for Entry of an Order Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income and Expenditures, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs* [Docket No. 6] (the "SOFA Extension Motion"), Filed on January 16, 2018, seeking an extension of the deadlines by which the Debtors must File certain schedules of assets and liabilities to February 28, 2018. On January 18, 2018, the Bankruptcy Court entered an order approving the SOFA Extension Motion on a final basis [Docket No. 99] (the "SOFA Extension Order").

- Claims Agent Application. The *Debtors' Emergency Application for Order Appointing Epiq Bankruptcy Solutions, LLC as Claims, Noticing, Solicitation, and Administrative Agent* [Docket No. 7] (the "Claims Agent Application"), Filed on January 16, 2018, seeking authorization to employ Epiq Bankruptcy Solutions, LLC ("Epiq") to act as the Claims, Noticing, Solicitation, and Administrative Agent for the Debtors. On January 18, 2018, the Debtors Filed a revised proposed order, clarifying that Epiq would not be entitled to indemnification by the Debtors without further Court order or for acts constituting bad faith, gross negligence, fraud, breach of fiduciary duty, self-dealing, or willful misconduct. On January 18, 2018, the Bankruptcy Court entered an order approving the Claims Agent Application on a final basis [Docket No. 100].

- Ordinary Course Professionals Motion. The *Debtors' Motion for Entry of an Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business* [Docket No. 188] (the "OCP Motion"), Filed on January 26, 2018, seeking to establish procedures for the retention and compensation of certain professionals utilized by the Debtors in the ordinary course operation of their business. On February 19, the Debtors Filed a revised proposed order [Docket No. 322] setting a revised cap for the fees of certain professionals during the Chapter 11 Cases. On February 22, 2018, the Bankruptcy Court entered an order approving the OCP Motion on a final basis [Docket No. 350].

- Interim Compensation Procedures Motion. The *Debtors' Motion for Entry of an Order (I) Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Docket No. 192] (the "Interim Compensation Motion"), Filed on January 26, 2018, seeking approval of procedures for the interim compensation and reimbursement of expenses of retained Professionals in the Chapter 11 Cases. On February 22, 2018, the Bankruptcy Court entered an order approving the Interim Compensation Motion on a final basis [Docket No. 351]. On March 5, 2018, the Debtors Filed a proposed corrected order [Docket No. 432] reflecting the appointment of the Committee. On April 30, 2018, the Bankruptcy Court entered a further revised order [Docket No. 683] approving the Interim Compensation Motion, as revised.

- Claims Bar Date Motion. The *Debtors' Motion for Entry of an Order (I) Setting Bar Dates for Filing Proofs of Claim, Including Requests for Payment under Section 503(b)(9),*

*(II) Establishing Amended Schedules Bar Date and Rejection Damages Bar Date, (III) Approving the Form of and Manner for Filing Proofs of Claim, Including Section 503(b)(9) Requests, (IV) Approving Notice of Bar Dates* [Docket No. 284] (the "Bar Date Motion"), Filed on February 13, 2018, seeking approval of: (a) April 16, 2018, at 5:00 p.m. (prevailing Central Time), as the deadline for all non-Governmental Units to File Claims in the Chapter 11 Cases; (b) September 4, 2018, at 5:00 p.m. (prevailing Central Time) as the deadline for all Governmental Units to File Claims in the Chapter 11 Cases; (c) procedures for Filing Proofs of Claims; and (d) the form and manner of notice of the bar dates. On March 7, 2018, the Bankruptcy Court entered the Bar Date Order.

- Removal Extension Motion. The *Debtors' Motion for Entry of an Order Extending the Time Within Which the Debtors May Remove Actions* [Docket No. 424] (the "Removal Extension Motion"), Filed on March 1, 2018, seeking entry of an order enlarging the period within which the Debtors may remove actions pursuant to 28 U.S.C. § 1452 and Bankruptcy Rule 9027 by 120 days, up to and including December 7, 2016. On March 28, 2018, the Bankruptcy Court entered an order approving the Removal Extension Motion [Docket No. 558].

- Exclusivity Motion. The *Debtors' Motion to Extend Their Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances Thereof* [Docket No. 622] (the "First Exclusivity Motion"), Filed on April 13, 2018, seeking to extend the Debtors' exclusive period for filing and soliciting votes on a plan of reorganization ("Filing Exclusivity Period") through and including August 13, 2018, and the deadline under which the Debtors have the exclusive right to solicit a plan Filed in such period ("Solicitation Exclusivity Period") through and including October 12, 2018. On May 8, 2018, the Bankruptcy Court entered an order approving the First Exclusivity Motion [Docket No. 710]. On July 13, 2018, the Debtors Filed the *Debtors' Second Motion to Extend Their Exclusive Periods to File a Chapter 11 Plan and Solicit Acceptances Thereof* [Docket No. 885] (the "Second Exclusivity Motion"), seeking to extend the Filing Exclusivity Period through and including December 11, 2019, and the Solicitation Exclusivity through and including February 11, 2018. On July 27, 2018, the Debtors Filed a revised proposed order [Docket No. 921] (the "Revised Second Exclusivity Order") shortening the requested Filing Exclusivity Period to October 15, 2018, and the Solicitation Exclusivity Period to December 14, 2018. On August 8, 2018, the Bankruptcy Court entered the Revised Second Exclusivity Order [Docket No. 964]. On September 28, 2018, the Debtors Filed a stipulation and agreed order [Docket No. 1088] seeking to further extend the Filing Exclusivity Period through and including December 31, 2018, and the Solicitation Exclusivity Period through and including March 1, 2019. On October 1, 2018, the Bankruptcy Court entered an order approving such stipulation and agreed order [Docket No. 1099].

### C. Retention of Professionals

The Debtors Filed applications for, and the Bankruptcy Court entered orders approving, the retention of various professionals to assist the Debtors in carrying out their duties as debtors in possession and to represent their interests in the Chapter 11 Cases:

- A&M, as restructuring advisor [Docket Nos. 201, 353];

- Epiq, as administrative advisor and notice and claims agent [Docket Nos. 7, 100];

- Ernst & Young LLP, as Valuation, Business Modeling, and Accounting Services Provider [Docket Nos. 224, 447];

- Foley Gardere as Texas, Litigation, and Conflicts Counsel For the Debtors [Docket Nos. 205, 358];
- K&E, as restructuring co-counsel [Docket Nos. 193, 352];
- KPMG, LLP, as Audit and Tax Consultants [Docket Nos. 195, 354];
- Latham & Watkins LLP., as Special Counsel [Docket Nos. 196, 355];
- Morgan, Lewis, & Bockius as Special Litigation Counsel [Docket Nos. 198, 357];
- PJT as Investment Banker [Docket Nos. 197, 356]; and
- Arcadi Jackson, LLP, as Special Litigation Counsel [Docket Nos. 1017, 1046].

**D. Appointment of Official Creditors' Committee**

On January 24, 2018, the U.S. Trustee Filed the *Notice of Appointment of Committee of Unsecured Creditors* [Docket No. 175], notifying parties in interest that the U.S. Trustee had appointed the Committee in the Chapter 11 Cases. On January 25, 2018, the U.S. Trustee Filed the *Notice of Reconstituted Committee of Unsecured Creditors* [Docket No. 181]. The Committee is currently composed of the following members: (a) Wilmington Savings Fund Society, FSB; (b) REME, LLC, d/b/a LEAM Drilling Services; (c) DRW Securities, LLC; and (d) Cross Sound Management LLC. The Committee has retained Brown Rudnick LLP and Jackson Walker LLP as its legal counsel, Intrepid Partners, LLC as its investment banker, and FTI Consulting, Inc. as its financial advisor. On June 29, 2018, the Committee Filed an application [Docket No. 838] seeking to retain Jefferies LLC its co-investment banker. On August 3, 2018, the Bankruptcy Court authorized the Committee's retention of Jefferies LLC [Docket No. 941].

**E. Employee Compensation Plans**

As of the Petition Date, the Debtors employed approximately 170 employees. As is typical for any organization of similar size, scope, and complexity, the Debtors developed programs to encourage and reward exceptional employee performance.

On the Petition Date, the Debtors Filed the *Debtors' Emergency Motion For Entry of Interim and Final Orders (I) Authorizing The Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses, and (B) Continue Employee Benefits Programs and (II) Granting Related Relief* [Docket No. 9] (the "Wages Motion"). On January 18, 2018, the Debtors Filed a revised proposed order [Docket No. 74] clarifying that the Debtors would not pay any prepetition amounts due exceeding the priority amounts set forth in section 507(a)(4) or 507(a)(5) of the Bankruptcy Code. On January 18, 2018, the Bankruptcy Court entered an order, approving the Wages Motion on a final basis [Docket No. 102] (the "Wages Order"). On February 16, 2018, the Debtors Filed a proposed amended order (the "Amended Wages Order") [Docket No. 310], providing that the Debtors would provide notice to the Committee with regard to certain severance payments. On February 22, 2018, the Bankruptcy Court entered the Amended Wages Order [Docket No. 345].

The Debtors historically have provided compensation programs that encourage and reward exceptional performance. The Debtors also have provided classic retention-based incentives for non-insider employees. On January 26, 2018, the Debtors Filed the *Debtors Motion for Entry of an Order (I) Authorizing and Approving the Debtors Key Employee Retention Plan for Non-Insider Employees and (II) Granting Related Relief* [Docket No. 187] (the "Retention Motion"), seeking authority to pay, in the ordinary course of business, quarterly Cash bonus awards to approximately 134 non-insider employees. On

February 22, 2018, the Bankruptcy Court entered an order granting the Retention Motion with respect to the non-insider payments [Docket No. 346].

On April 25, 2018, the Debtors Filed the *Debtors' Motion for Entry of an Order (I) Authorizing and Approving the Debtors' Key Employee Incentive Plan and (II) Granting Related Relief* [Docket No. 673] (the "KEIP Motion"), seeking authority to pay, in the ordinary course of business, certain members of the Debtors' management team pursuant to a key employee incentive plan (the "KEIP"). The KEIP covers the five members of the Debtors' senior leadership team and provides for the payment of incentive-based Cash awards based on the Debtors' achievement of (a) certain Emergence Milestones and (b) certain operational Performance Metrics (each as defined in the KEIP Motion). On May 16, 2018, the Debtors Filed a supplemental statement in connection with the KEIP Motion [Docket No. 740], detailing certain revisions to the KEIP, including: (a) the removal of the Sale Emergence Milestones and the adjustment of Performance Metrics weighting.

On May 17, 2018, the U.S. Trustee Filed an objection to the KEIP Motion [Docket No. 744]. On May 21, 2018, the Debtors Filed a response to the U.S. Trustee's Objection [Docket No. 750]. Following a hearing before the Bankruptcy Court on May 21, 2018, which was continued to May 22, 2018, the Debtors Filed a revised proposed order [Docket No. 756] approving the KEIP Motion. On May 23, 2018, the Bankruptcy Court entered an order approving the KEIP, as revised [Docket No. 766].

On July 11, 2018, the Debtors Filed the *Debtors Supplemental Motion for Entry of an Order (I) Authorizing and Approving the Debtors Key Employee Retention Plan for Non-Insider Employees and (II) Granting Related Relief* [Docket No. 873] (the "Supplemental KERP Motion"), seeking authority to pay, in the ordinary course of business, quarterly Cash bonus awards to approximately 134 non-insider employees for the third quarter of 2018 and on a quarter by quarter basis thereafter during the pendency of these Chapter 11 Cases, with prior written consent of the DIP Lenders and the Committee. On August 8, 2018, the Bankruptcy Court entered an order approving the Supplemental KERP Motion [Docket No. 962].

### F. Rejection and Assumption of Executory Contracts and Unexpired Leases

Prior to the Petition Date and in the ordinary course of business, the Debtors entered into certain Executory Contracts and Unexpired Leases. The Debtors, with the assistance of their advisors, are reviewing the Executory Contracts and Unexpired Leases to identify contracts and leases to either assume or reject pursuant to sections 365 or 1123 of the Bankruptcy Code.

The Debtors may File motions seeking to assume or reject certain Executory Contracts or Unexpired Leases. Additionally, the Plan Supplement will include information regarding the assumption or rejection of the remaining Executory Contracts and Unexpired Leases. Any Executory Contracts or Unexpired Leases not addressed during the Chapter 11 Cases will be treated in accordance with Article V of the Plan, as summarized in Article IV.N of this Disclosure Statement.

#### 1. Midstream Rejection Motion

On January 18, 2018, the Debtors Filed the *Debtors' Motion for Entry of an Order Authorizing Rejection of Certain Executory Contracts and Unexpired Lease Effective Nunc Pro Tunc to the Petition Date* [Docket No. 111] (the "Midstream Rejection Motion"), seeking authority to reject certain Executory Contracts.

- The Debtors received objections from each of: (a) Shell Energy North America (US), LP [Docket No. 252]; (b) Chesapeake Energy Marketing, Inc. [Docket No. 253]; and

(c) Enterprise Products Operating LLC ("Enterprise") and Acadian Gas Pipeline System ("Acadian") [Docket No. 256] to the Midstream Rejection Motion.

- On March 6, 2018, the Debtors Filed a revised proposed order in connection with the Midstream Rejection Motion [Docket No. 442] (the "Revised Midstream Rejection Order"), removing the Acadian Agreements (as defined in the Midstream Rejection Motion), all but one of the Chesapeake Contracts (as defined in the Revised Midstream Rejection Order), and clarifying that the BG Contracts (as defined in the Revised Midstream Rejection Order) would be rejected only to the extent not terminated prepetition.

- On March 7, 2018, the Bankruptcy Court entered the Revised Midstream Rejection Order [Docket No. 446]. A final determination with respect to agreements not rejected pursuant to the First Rejection Order was continued to a later date.

- On March 27, 2018, the Debtors, Enterprise, and Acadian Filed a stipulation and agreed order resolving the objection to the Midstream Rejection Motion [Docket No. 545], noting that the Enterprise Agreements (as defined therein) terminated or were repudiated prepetition and thus were not executory contracts within the meaning of section 365 of the Bankruptcy Code.

**2. Azure Rejection Motion**

On March 1, 2018, the Debtors Filed the *Motion for the Entry of an Order Authorizing Rejection of the Azure Letter Agreement Effective Nunc Pro Tunc to the Petition Date* [Docket No. 423] (the "Azure Rejection Motion"). On May 1, 2018, the Committee Filed a statement in support of the Azure Rejection Motion [Docket No. 687], and Azure Midstream Energy LLC, Azure Midstream Holdings LLC, and TGG Pipeline, Ltd. (collectively, "Azure") Filed the *Objection to Debtors Motion for Entry of an Order Authorizing Rejection of the Azure Letter Agreement Effective Nunc Pro Tunc to the Petition Date and Emergency Motion for an Order Compelling the Debtors to Assume or Reject the New EXCO Gathering Agreements Pursuant to Section 365 of the Bankruptcy Code* [Docket No. 688], in which Azure opposed the Debtors' attempt to reject the Azure Letter Agreement (as defined in the Azure Rejection Motion) and sought to compel the Debtors to assume the Azure Letter Agreement as well as the Gathering Agreements (as defined in the Azure Rejection Motion) (the "Azure Motion to Compel").

On May 8, 2019, the Bankruptcy Court held a hearing on the Azure Rejection Motion, at which the Bankruptcy Court abated the Azure Rejection Motion and the Azure Motion to Compel. Following the hearing, the Debtors commenced an adversary proceeding (Adversary Case 18-03096) and Filed the *Adversary Complaint for Declaratory Relief* [Adv. Dock. No. 1] (the "Azure Adversary Complaint") seeking a declaratory judgment that the Azure Letter Agreement was separate or severable from the Gathering Agreements. On June 15, 2018, Azure Filed a motion to dismiss the Azure Adversary Complaint [Adv. Dock. No. 19] (the "Azure Motion to Dismiss") and an answer to the Azure Adversary Complaint [Adv. Dock. No. 20]. On June 19, 2018, the Debtors Filed a motion for judgment on the pleadings [Adv. Dock. No. 27] (the "Azure 12(c) Motion"). On June 21, 2018, the Debtors Filed a response to the Azure Motion to Dismiss [Adv. Dock. No. 31]. On June 26, 2018, Azure Filed their reply in support of the Azure Motion to Dismiss, and an opposition to the Debtors' Azure 12(c) Motion. On July 2, the Debtors Filed a reply in further support of their Azure 12(c) Motion [Adv. Dock. No. 36] and a motion to strike an exhibit to the Azure Motion to Dismiss [Adv. Dock. No. 35] (the "Debtor's Motion to Strike"). On July 13, 2018, each of the Debtors and Azure Filed motions for summary judgment [Adv. Dock. Nos. 41 and 42, respectively] (the "Debtors' Summary Judgment Motion" and "Azure's Summary Judgment Motion," respectively). On July 16, 2018, the Committee Filed an emergency motion seeking permission to intervene [Adv. Dock. No. 43] in the proceeding (the "Intervention Motion"). On July 20, 2018, Azure Filed an objection to the Debtors' Summary Judgment Motion [Adv. Dock. No. 44] and Debtors' Motion to Strike [Adv. Dock. No. 45], and the Debtors Filed a response in support of the Debtors' Summary Judgment

Motion [Adv. Dock. No. 46]. On July 24, the Committee Filed a joinder to the Debtors' Summary Judgment Motion [Adv. Dock. No. 48], which joinder Azure moved to strike on July 25, 2018 [Adv. Dock. No. 49]. On July 24, 2018, Azure also opposed the Committee's Intervention Motion [Adv. Dock. No. 47]. On July 25, 2018, Azure and the Debtors each Filed replies in support of their respective motions for summary judgment [Adv. Dock. Nos. 50 and 51, respectively]. On July 30, 2018, the Committee Filed a response in support of its Intervention Motion. A hearing on dispositive motions in the adversary proceeding was held on August 9, 2018; and a trial currently is abated pending the Bankruptcy Court's decision on the dispositive motions.

#### 3. Assumption and Rejection Motions

On April 10, 2018, the Debtors Filed *Debtors' Motion for Entry of an Order Extending the Time Within Which the Debtors Must Assume or Reject Unexpired Leases of Nonresidential Real Property* [Docket No. 608] (the "Assumption Deadline Extension Motion"). Given the large number of unexpired leases to which the Debtors are a party, the Debtors Filed the Assumption Deadline Extension Motion seeking entry of an order extending by 90 days, through and including August 13, 2018, the time period within which the Debtors must assume or reject unexpired leases of nonresidential real property so that the Debtors may fully and adequately address and appraise the complexities inherent in the leases. On May 8, 2018, the Bankruptcy Court entered an order granting the Rejection Deadline Extension Motion [Docket No. 709].

On July 11, 2018, the Debtors Filed the *Omnibus Motion for Entry of an Order (I) Authorizing Assumption of Unexpired Leases of Non-Residential Real Property and (II) Granting Related Relief* [Docket No. 875] (the "Omnibus Lease Assumption Motion"). The Debtors received a response to the Omnibus Lease Assumption Motion from Hagan Lands LLC [Docket No. 929], which subsequently was resolved. On August 8, 2018, the Bankruptcy Court entered an order granting the Omnibus Lease Assumption Motion [Docket No. 963].

On August 7, 2018, the Debtors Filed the *Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Reject the Headquarters Lease and (B) Enter into New Headquarters Lease and (II) Granting Related Relief* [Docket No. 955] (the "Headquarters Lease Motion"). On August 9, 2018, the Bankruptcy Court entered an order granting the Headquarters Lease Motion [Docket No. 975].

### G. Other Litigation Matters

#### 1. Prepetition Litigation

In the ordinary course of business, the Debtors are parties to a number of lawsuits, legal proceedings, collection proceedings, and claims arising out of their business operations, including:

- Chesapeake Litigation. In May 2017, Chesapeake Energy Marketing, L.L.C. ("CEML") terminated a transaction confirmation agreement for the purchase and sale of natural gas between CEML and Raider. As a result of the termination of the CEML contract, the Debtors were unable to satisfy a material contract representation in connection with the Debtors' potential sale of certain oil and natural gas properties and surface acreage in South Texas to Venado and the sale agreement was terminated. The Debtors filed a lawsuit against CEML, and subsequently added other Chesapeake entities, asserting breach of contract, tortious interference with existing contract, tortious interference with prospective business relations, and declaratory relief that the CEML contract is still in full force and effect (the "Chesapeake Litigation"). As of the Petition Date, the Chesapeake Litigation remained pending in federal court after being removed from Texas state court in 2017, and currently is set for trial in May 2019.

- Shell/BG Litigation. The Debtors and certain of their affiliates, along with BG, were party to certain development and operation agreements (including the "Appalachia JDA") covering certain assets in the Appalachia region. After BG was acquired by Shell, the Debtors became aware of a potential violation of the Appalachia JDA, and following unsuccessful negotiations, commenced arbitration to enforce their alleged rights (the "Shell/BG Litigation"). During the course of the arbitration, the Debtors and Shell participated in mediation, which ultimately resulted in an agreement. On January 26, 2018, the Debtors Filed the *Debtors Motion for Entry of an Order (I) Authorizing and Approving the Settlement By and Among Debtors EXCO Holding (PA), Inc., EXCO Production Company (PA), LLC, and EXCO Production Company (WV), LLC, and Non-Debtor Affiliates EXCO Resources (PA), LLC and EXCO Appalachia Midstream, LLC, and BG Production Company (PA), LLC, BG Production Company (WV), LLC, and SWEPI LP, and (II) Granting Related Relief* [Docket No. 191], seeking authorization pursuant to Bankruptcy Rule 9019 to enter into a settlement (the "Shell Appalachia Settlement") that would eliminate the joint venture structure and increase the Debtors' and their affiliates' acreage position and production in the Appalachia region. On February 22, 2018, the Bankruptcy Court entered an order approving the Shell Appalachia Settlement [Docket No. 349].

- Company Men Litigation. In January 2017, Rodney Fisher ("Fisher") commenced an action against the Debtors in the United States District Court for the Northern District of Texas, alleging a violation of the Fair Labor Standards Act ("FLSA") based on the Debtors' alleged misclassification of Fisher as an independent contractor instead of an employee (the "Company Men Litigation"). On October 11, 2017, Fisher moved to certify a class of claimants composed of himself and other "company men" classified and compensated as contractors working on any of the Debtors' oil or gas exploration or production rig sites. On April 23, 2018, Fisher Filed a motion [Docket No. 665] (the "Certification Motion") seeking leave to File a class Proof of Claim. On May 14, 2018, the Debtors Filed an objection [Docket No. 736] (the "Certification Objection") to the Certification Motion on the basis that Mr. Fisher's request was untimely and unsupported by law. On May 15, 2018, the Committee Filed a joinder in support of the Certification Objection [Docket No. 737]. A hearing on the Certification Motion currently is scheduled for October 22, 2018.

Certain proceedings to which the Debtors are party are the subject of adversary proceedings pending in these Chapter 11 Cases. In particular:

- Enterprise Litigation. In September 2016, the Debtors terminated their gas sales contract with Enterprise and firm transportation contract with Acadian following Enterprise's failure to make payments to the Debtors on account of July 2016 gas sales within the applicable grace period. Enterprise and Acadian subsequently Filed a petition in Texas state court against the Debtors (the "Enterprise Litigation"), and subsequently joined Bluescape and two officers of the Debtors, alleging that the Debtors did not have the right to terminate the contracts. Enterprise and Acadian asserted various causes of action against the Debtors, Bluescape, and the Debtors' officers that could total up to approximately $175 million. As of the Petition Date, the Enterprise Litigation was ongoing with an expected trial date of mid-2018.

  On March 9, 2018, Enterprise and Acadian filed a motion in the state court proceeding to sever their claims against Bluescape from their claims against the Debtors and their officers. On March 19, 2018, the Debtors commenced an adversary proceeding (Adversary Case No. 18-03051) related to the Enterprise Litigation, and Filed an emergency motion seeking an extension of the automatic stay or imposition of a permanent injunction halting litigation against Bluescape and the Debtors' officers. On April 19, 2018, the Debtors, the Committee,

Enterprise, and Acadian Filed a joint stipulation [Docket No. 651], pursuant to which (a) the Enterprise Lift Stay Motion (as defined herein) was withdrawn; (b) all parties agreed to let the state court action proceed with regard to Bluescape; (c) the Adversary Case No. 18-03051 was dismissed, and the Debtors, the Committee, and Bluescape agreed to File any objection to any Proof of Claim Filed by Enterprise or Acadian by July 20, 2018. On April 19, 2018, the Bankruptcy Court entered an order enforcing the stipulation [Docket No. 654]. Subsequently, on July 20, 2018, the Debtors Filed an objection to all Proofs of Claim Filed by Enterprise and Acadian [Docket No. 901].

- Shell Litigation. In December 2017, certain agreements governing the sale and purchase of natural gas were terminated following nonpayment by Shell North America (US), L.P. ("Shell Energy") for gas deliveries made by the Debtors. On December 26, 2017, the Debtors commenced proceedings in Harris County District Court against Shell Energy (among others) (the "Shell Litigation"), seeking declaratory relief and damages for breach of contract. On January 26, 2018, the Debtors commenced an adversary proceeding (Adversary Case No. 03015) seeking declaratory relief and damages for breach of contract. On March 23, 2018, the Debtors Filed the *Plaintiffs' Emergency Motion to Dismiss Without Prejudice* [Adv. Dock. No. 14], which was amended on March 29, 2018 [Adv. Dock. No. 22]. On March 29, 2018, the Bankruptcy Court entered an order dismissing the adversary case without prejudice [Adv. Dock. No. 24].

- Rancho Litigation. In March 2010, Bruce A. Leonard ("Leonard") and Jeffrey A. Brymer (succeeded in interest by Rancho Los Encinos Viejos, L.C.C) ("Rancho") executed an oil, gas, and mineral lease (the "Dimmit Lease"), which lease contained a right of first refusal in favor of Leonard and Rancho. The Debtors subsequently came to be the counterparty to the Dimmit Lease. On April 28, 2017, the Debtors sent a letter to Leonard and Rancho in connection with a potential sale of an asset covered by the Dimmit Lease acknowledging Leonard and Rancho's right of first refusal. Leonard and Rancho purported to exercise their right of first refusal, which the Debtors contested. On November 21, 2017, Leonard and Rancho Filed a lawsuit against the Debtors for breach of contract and specific performance (the "Dimmit Action"). On April 16, 2018, Leonard and Rancho Filed a notice of removal [Docket No. 633] noting that the Dimmit Action had been removed to the Bankruptcy Court for the Western District of Texas, San Antonio division. On May 7, 2018, the Debtors and Rancho Filed a joint motion seeking to transfer the proceeding to the Bankruptcy Court. On May 8, 2018, the Bankruptcy Court for the Western District of Texas, San Antonio division transferred the Dimmit Action to the Bankruptcy Court (Adversary Case No. 18-03105). On July 12, 2018, the Debtors and Rancho Filed a joint stipulation and agreed order abating the Dimmit Action until January 15, 2019 and excluding from any sale the asset governed by the Dimmit Lease [Docket No. 876]. On July 16, 2018, the Bankruptcy Court entered an order approving the stipulation [Docket No. 887].

- Samson Litigation. Samson Resources Company and Samson Contour Energy E & P, LLC ("Samson") own overriding royalty interests in certain of the Debtors' oil, gas and mineral property. On September 16, 2015, Samson filed for bankruptcy protection, and on March 1, 2017, Samson emerged from bankruptcy as a reorganized debtor. On September 14, 2017, reorganized Samson commenced an adversary proceeding (Adversary Case No. 17-51519) (the "Samson Adversary") and Filed a complaint [Adv. Dock. No. 1] seeking turnover of property allegedly owed to Samson on account of an underpaid revenues. On June 5, 2018, the Samson Adversary was transferred to the Bankruptcy Court (Adversary Case No. 18-03142). On June 27, 2018, the Bankruptcy Court abated the Samson Adversary, and set a status conference on the matter for January 14, 2019.

The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims.

**2. Automatic Stay Motions**

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

Following commencement of the Chapter 11 Cases, certain litigation counterparties have Filed, or may File in the future, requests to modify or lift the automatic stay to continue pursuing prepetition litigation against the Debtors, including:

- Louisiana Lift Stay Motion. On January 21, 2018, the State of Louisiana, Office of Mineral Resources Filed a motion [Docket No. 149] seeking relief from the automatic stay (the "Louisiana Lift Stay Motion"). On February 1, 2018, the Debtors and the State of Louisiana Filed a joint stipulation and agreed order [Docket No. 215] modifying the automatic stay for the limited purpose of allowing the State of Louisiana to continue its audit of the Debtors. On February 22, 2018, the Bankruptcy Court entered an order approving the stipulation [Docket No. 347].

  On March 26, 2018, the Debtors and the State of Louisiana Filed a joint stipulation and agreed order [Docket No. 537] lifting the automatic stay to allow the Debtors to release certain funds to the State of Louisiana. On March 30, 2018, the Bankruptcy Court entered an order approving the stipulation [Docket No. 577].

- Ware Lift Stay Motion. On February 5, 2018, Sandra Coker and Jimmy Ware Filed a motion [Docket No. 231] seeking relief from the automatic stay (the "Ware Lift Stay Motion"). On February 28, 2018, the Debtors Filed an objection [Docket No. 380], to which the Committee Filed a joinder [Docket No. 388], opposing the Ware Lift Stay Motion. On March 14, 2016, the Ware Lift Stay Motion was withdrawn [Docket No. 493].

- Enterprise Lift Stay Motion. On February 12, 2018, Enterprise and Acadian Filed a motion [Docket No. 276] seeking relief from the automatic stay (the "Enterprise Lift Stay Motion"). On March 5, 2018, each of the Debtors [Docket No. 438] and the Committee [Docket No. 437] objected to the Enterprise Lift Stay Motion. On April 19, 2018, the Enterprise Lift Stay Motion was withdrawn in connection with the resolution of the Enterprise Litigation as set forth above.

- BG Litigation Lift Stay Motion. On March 2, 2018, BG Filed a motion [Docket No. 430] seeking relief from the automatic stay (the "BG Litigation Lift Stay Motion"). On March 23, 2018, the Debtors Filed an objection [Docket No. 530], to which the Committee Filed a joinder [Docket No. 531], opposing the BG Litigation Lift Stay Motion. On March 29, 2018 the BG Litigation Lift Stay Motion was withdrawn in connection with the resolution of the Shell Litigation as set forth above.

- Cudd Lift Stay Joint Motion. On April 3, 2018, the Debtors and certain current and prior employees of the Debtors Filed a joint motion [Docket No. 590] seeking limited relief from the

automatic stay (the "Cudd Lift Stay Joint Motion"). On May 8, 2018, the Bankruptcy Court entered an order granting the Cudd Lift Stay Joint Motion [Docket No. 708].

- Chesapeake Lift Stay Motion. On May 24, 2018, CEML Filed a motion [Docket No. 770] seeking relief from the automatic stay (the "Chesapeake Lift Stay Motion") to pursue their counterclaims in the Chesapeake Litigation. On June 21, 2018, the Debtors Filed a limited objection to the Chesapeake Lift Stay Motion [Docket No. 824], and CEML Filed an opposition in response [Docket No. 825]. On July 20, 2018, the Debtors and CEML Filed a joint stipulation and agreed order [Docket No. 898] lifting the automatic stay to for the limited purpose of allowing CEML to pursue its counterclaims in the Chesapeake Litigation. On July 23, 2018, the Bankruptcy Court entered an order approving the stipulation and agreed order [Docket No. 906].

- M&N Resources Lift Stay Motion. On June 1, 2018, M&N Resources Management, LLC ("M&N") Filed a motion seeking relief from the automatic stay [Docket No. 782] (the "M&N Resources Lift Stay Motion") to liquidate its claims before the United States District Court for the Western District of Louisiana. On July 5, 2018, the Debtors and M&N Filed a joint stipulation and agreed order [Docket No. 858] lifting the automatic stay for the limited purpose of liquidating M&N's claims before magistrate court. On July 9, 2018, the Bankruptcy Court approved the stipulation [Docket No. 863].

- Chubb Lift Stay Motion. On June 29, 2018, Federal Insurance Company and its affiliates ("Chubb") Filed a motion seeking relief from the automatic stay [Docket No. 834] (the "Chubb Lift Stay Motion") to authorize the continuation of a state court action to continue to final judgment in favor of the Debtors related to a third party's duty to indemnify the Debtors. On July 23, 2018, the Bankruptcy Court granted the Chubb Lift Stay Motion [Docket No. 907].

- BG Wells Lift Stay Motion. On July 3, 2018, BG Filed a motion seeking relief from the automatic stay [Docket No. 847] (the "BG Wells Lift Stay Motion") to complete certain wells of which the Debtors are the operator and BG is a non-operating interest owner pursuant to a joint development agreement (the "BG JDA") governing the Debtors' assets in the East Texas/North Louisiana region (the "Development Area"). On August 10, 2018, the Debtors Filed an opposition [Docket No. 980], to which the Committee Filed a joinder [Docket No. 981], opposing the BG Wells Lift Stay Motion. On August 21, 2018, the Debtors and BG conducted a settlement conference, which ultimately resulted in an agreement. On September 17, 2018, the Debtors Filed the *Debtors' Emergency Motion for Entry of an Order (I) Authorizing and Approving the Settlement By and Among the Debtors and BG US Production Company, LLC, and (II) Granting Related Relief* [Docket No. 1055] (the "BG Settlement Motion"), seeking authorization pursuant to Bankruptcy Rule 9019 to enter into a settlement (the "BG JDA Settlement") that would deem the BG JDA assumed, authorize the Debtors to pay $22.5 million in three installments on account of certain withheld revenues, and obligate the Debtors to commence completion of certain wells in the Development Area by November 15, 2018. The BG JDA Settlement resolved the BG Wells Lift Stay Motion, as well as BG's *Motion to Direct Payment of Administrative Expense Claim Under 11 U.S.C. Section 503(b)(1)(A)* [Docket No. 938] (the "BG Admin Motion"), which was Filed on August 2, 2018. On September 17, 2018, the BG Wells Lift Stay Motion and the BG Admin Motion were abated pending the Bankruptcy Court's decision on the BG Settlement Motion. On October 1, 2018, the Bankruptcy Court entered an order approving the BG JDA Settlement [Docket No. 1098], and BG withdrew the BG Wells Lift Stay Motion and the BG Admin Motion.

- Defense Costs Lift Stay Motion. On July 27, 2018, the Debtors Filed a motion, with the consent of the Committee, seeking relief from the automatic stay [Docket No. 922] (the "Defense Costs Lift Stay Motion"), to the extent necessary, so that insurance proceeds of the Debtors' directors and officers liability policy could be used to advance defenses costs to counsel representing certain of the Debtors' current and former directors and officers. A hearing on the Defense Costs Lift Stay Motion was held on July 30, 2018, and on July 31, 2018, the Debtors Filed a revised form of order seeking, which the Bankruptcy Court approved on August 8, 2018 [Docket No. 959].

The Debtors will evaluate all such requests for relief from the automatic stay on a case-by-case basis and object or resolve on a consensual basis, as appropriate.

In addition, certain parties may attempt to take actions in violation of the automatic stay. The Debtors will evaluate all such actions on a case-by-case basis and object or resolve on a consensual basis, as appropriate. To date, the Debtors have objected to one such action:

- Williams Stay Violation Proceeding: On May 22, 2018, the Debtors commenced an adversary proceeding (Adversary Case 18-03103) and Filed a complaint [Adv. Dock. No. 1] against Williams MLP Operating, LLC and Mockingbird Midstream Gas Services, LLC (collectively, "Mockingbird") for a declaratory judgment that Mockingbird's action in connection with the Debtors' Venado Flaring Application proceeding violated the automatic stay. On June 25, 2018, Mockingbird answered the complaint [Adv. Dock. No. 11], which was subsequently amended [Adv. Dock. No. 14]. On July 27, 2018, the Committee moved to intervene in the Williams Stay Violation Proceeding [Adv. Dock. No. 19], which motion was withdrawn on August 13, 2018 [Adv. Dock. No. 21]. On August 16, 2018, the Bankruptcy Court set a comprehensive scheduling order in the Williams Stay Violation Proceeding [Adv. Dock. No. 24], which set a trial date of June 6, 2019.

### H. Postpetition Restructuring and Sale Process

Following the Petition Date, the Debtors continued to engage with their stakeholders, including the Committee, the DIP Lenders, and their prepetition secured and unsecured creditors, to develop a go-forward path based on a reorganization of their business under a chapter 11 plan, the sale of substantially all their assets, or a combination of transactions.

#### 1. Marketing Process

The Debtors engaged in a dual-track restructuring, pursuant to which they conducted a robust marketing process for some or all of their assets while engaging in negotiations with creditors to reorganize their business under a chapter 11 plan. Beginning in January 2018, the Debtors contacted over 275 potential purchasers to participate in the Debtors' marketing process. Of those parties, the Debtors executed non-disclosure agreements ("NDAs") with approximately 100 potential purchasers. Parties executing NDAs were given access to a virtual data room beginning on March 27, 2018. The data room provided potential purchasers with information regarding the contents of each asset package and details regarding the assets themselves. Non-binding indications of interest were due on March 14, 2018, and were required to include the total amount that the bidder was willing to pay, in Cash, for the applicable asset package. Additionally, bidders were required to disclose any necessary conditions or approvals needed prior to submitting a binding bid, including, but not limited to, internal approvals or governmental or regulatory approvals.

The Debtors received approximately 25 non-binding indications of interest during the first round of the sale process. After analyzing the bids and the financial condition of the bidders, the Debtors believed

that they had an adequate number of qualified bidders across all asset packages to move forward to the second round of the sale process. The Debtors selected approximately 12 bidders to proceed to the second round of the sale process. These bidders were evaluated primarily based on the value they ascribed to the applicable asset packages, a demonstrated financial capability to pursue an acquisition of this size, and whether they had a strategic interest in the Debtors' assets based on their existing portfolio of assets or otherwise.

The second round bid deadline occurred on April 30, 2018. The Debtors received approximately 5 second round binding bids across the three assets packages. Following the second round bid deadline, the Debtors negotiated extensively with a potential bidder for the East Texas/North Louisiana asset package. The Debtors did not reach a final agreement with any party for the sale of any of their assets.

**(a) Asset Sales**

On July 11, 2018, the Debtors Filed the *Motion for Entry of an Order (I) Authorizing and Approving the Assignment of Certain Real Property Located in Harrison County, Texas and (II) Granting Related Relief* [Docket No. 874] (the "Rockcliff Assignment Motion"), seeking to assign certain property in Harrison County, Texas to Rockcliff Energy LLC in exchange for certain consideration. On August 9, 2018, the Bankruptcy Court entered an order granting the Rockcliff Assignment Motion [Docket No. 974].

**2. Negotiations with Creditors**

In parallel with their marketing process, the Debtors continued to engage with all key stakeholders regarding the terms of a consensual plan of reorganization in the event the Debtors are unable or elect not to sell substantially all of their assets. To that end, the Debtors facilitated extensive formal and informal discussions with certain of the 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders, and the Committee. Additionally, the Debtors facilitated multiple in person meetings between principals, advisors, and a combination thereof.

On April 26, 2018, the Debtors held an in-person meeting with advisors to the Committee and certain of the 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders at which these parties discussed a resolution of potential claims and causes of action (collectively, the "Challenge Claims") that could be asserted against third parties, including the Debtors' prepetition secured lenders. On June 14, 2018, certain members of the Committee and certain of the 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders held an in-person meeting to discuss a global resolution and path forward for a consensual restructuring. At this meeting, representatives of the 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders put forward a proposal for a settlement of the Challenge Claims. On June 25, 2018, the Debtors held an in-person meeting with advisors to certain of the 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders and the Committee to further discuss a potential consensual restructuring plan. At this meeting, advisors to the Committee presented a counterproposal regarding a settlement of the Challenge Claims. On June 29, 2018, certain of the 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders responded to the Committee's counterproposal with a revised proposal for settlement of the Challenge Claims. On July 20, 2018, the advisors to the Committee conveyed to advisors for certain of the 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders a further revised proposal for settlement of the Challenge Claims. Throughout this period, the Debtors and their advisors engaged with the parties to facilitate ongoing discussions and further the exchange of settlement proposals.

**(a) The Draft Committee Complaint**

On June 7, 2018, as a condition to the meeting held on June 14, 2018, the Committee sent to the Debtors and certain of the 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders a draft complaint (the "Draft Committee Complaint") alleging various claims and causes of action against certain of the

Debtors' prepetition secured lenders (the "Alleged Creditor Defendants"), certain of the Debtors' current and former Board members (the "Alleged Director Defendants"), and Wilmington Trust, N.A. ("Wilmington"), in its capacity as 1.5 Lien Notes Trustee and 1.75 Lien Agent. The Committee alleged twenty-four claims and causes of action in the Draft Committee Complaint that could be asserted against some or all of the Alleged Creditor Defendants, the Alleged Director Defendants, and Wilmington in connection with, among other things, the Debtors' decision to enter into the 2015 Refinancing Transactions and the 2017 Refinancing Transactions and certain alleged acts by certain members of the Debtors' Board in connection with those two transactions and otherwise during the 2015-2017 time period.

**(b) The Debtors' and the Committee's Investigations**

Prior to and following the Petition Date, the Debtors conducted an investigation into potential claims or causes of action the Debtors may hold against third parties (including those ultimately alleged in the Draft Committee Complaint). The Debtors also provided information related to the Committee's independent investigation of some of the claims or causes of action investigated by the Debtors. In the course of their investigation, the Debtors collected, reviewed, and produced over 80,000 documents in response to numerous discovery and other requests related to the Committee's ongoing investigation into estate claims and causes of action. The Debtors also reviewed tens of thousands of documents produced by other parties and conducted multiple interviews of potential witnesses. In connection with their investigation, the Debtors analyzed various potential claims and causes of action including: (a) preference actions; (b) intentional and constructive fraudulent transfer actions; (c) recharacterization and equitable subordination claims; (d) breach of fiduciary duty claims; (e) disallowance of original issue discount and makewhole claims; and (f) other potential affirmative claims that the Debtors could potentially bring against third parties. In connection with the Committee's review, the Committee reviewed the claims set forth above and those in the Draft Committee Complaint, reviewed documents produced by the Debtors, certain of the 1.5 Lien Noteholders and the 1.75 Lien Term Loan Lenders, and certain third parties, and conducted numerous depositions of the witnesses the Debtors had interviewed, all of which the Debtors attended.

**(c) Mediation with Creditor Constituencies**

On July 18, 2018, the Debtors Filed an *Emergency Motion for Telephonic Hearing to Appoint Mediator* [Docket No. 891] (the "Emergency Mediation Motion"), requesting the appointment of the Honorable Chief Judge David R. Jones to serve as mediator in the Chapter 11 Cases to facilitate a consensual resolution of outstanding issues. The Debtors, with the consent of the Committee, Fairfax, and Bluescape, requested that Judge Jones be appointed to facilitate a mediation, to commence on August 6, 2018 and continue from time to time thereafter. The Debtors received a limited objection [Docket No. 893] (the "LSP Objection") to the Emergency Mediation Motion from LSP Investment Advisors, LLC, investment advisor to Gen IV Investment Opportunities, LLC and VEGA Asset Partners, LLC. Following a hearing on July 19, 2018, the Bankruptcy Court entered an order appointing Judge Jones as mediator [Docket No. 894], with the scope, parties, time and procedures for the mediation to be determined by Judge Jones following consultation with the parties as he deemed appropriate in light of the agreements announced on the record at the hearing (which agreements resolved the LSP Objection).

On August 1, 2018, Wilmington Filed an emergency motion [Docket No. 960] (the "Wilmington Motion to Compel"), seeking entry of an order compelling the parties to provide an unredacted copy of the Draft Committee Complaint to Wilmington. Fairfax, Bluescape, and Gen IV objected to the Wilmington Motion to Compel [Docket Nos. 935 and 936]. A hearing on the Wilmington Motion to Compel was held on August 2, 2018. Following the hearing, Wilmington, Fairfax, and Bluescape submitted an agreed order resolving the Wilmington Motion to Compel [Docket No. 943] (the "Agreed Wilmington Mediation Order"). On August 6, 2018, the Bankruptcy Court entered the Agreed Wilmington Mediation Order [Docket No. 951].

Mediation commenced on August 6, 2018, and continued on August 7, 2018. A second round of mediation was held on August 27, 2018, and continued on September 21, 2018. The parties to mediation included: (a) the Debtors; (b) each of the 1.5 Lien Noteholders; (c) the Holders of a super-majority of the 1.75 Lien Term Facility Claims; (d) the Holders of a supermajority of Second Lien Term Loan Facility Claims; (e) the Committee; (f) counsel representing certain Insureds under the D&O Policies; and (g) certain of the D&O Carriers. Mediation resulted in an agreement in principle among the Debtors, the Committee, Fairfax, Bluescape, and the D&O Carriers on certain terms of a comprehensive restructuring transaction reflected in the Plan, as well as a resolution of potential claims and causes of action that were the subject of the Debtors' and the Committee's investigation (as detailed above) and set forth in the Draft Committee Complaint.

Following the extensive negotiations with all parties in interest and the mediation process described herein, Bluescape and Fairfax have agreed in principle to the proposed economic treatment of the 1.5 Lien Notes Claims. However, as of the date this Disclosure Statement is being filed, certain terms of the Plan, which are material to Bluescape and Fairfax, remain under discussion among the Debtors, the prepetition secured lenders, the Committee and other key constituencies. Bluescape and Fairfax will not support any plan in which EXCO does not assume its indemnity obligations in favor of Energy Strategic Advisory Services LLC ("ESAS") under the Services and Investment Agreement by and between EXCO and ESAS, dated as of March 31, 2015, as amended from time to time. Other issues that must be satisfactorily resolved before Bluescape and Fairfax can become Proponents and vote in favor of the Plan include, but are not limited to, corporate governance issues and certain other Plan matters which could have an impact on the distribution to Holders of 1.5 Lien Notes Claims and Holders of 1.75 Lien Notes Claims. Bluescape and Fairfax are committed to working with the Debtors, the Committee, and other key constituencies over the next few weeks in an effort to satisfactorily resolve these issues prior to the hearing on the Disclosure Statement. Accordingly, Bluescape and Fairfax reserve all rights with regard to the Plan and the settlement embodied in the Plan.

Each of the D&O Carriers, the D&Os, and Oaktree, a 1.5 Lien Noteholder, are continuing to review and evaluate the terms of the settlement embodied in the Plan and expressly reserve all rights with regard thereto.

LSP, a 1.5 Lien Noteholder and a 1.75 Lien Term Loan Lender, believes that many of the claims and causes of action set forth in the Draft Committee Complaint were premised on the alleged status of certain 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders as insiders, or parties affiliated with insiders, of the Debtors and the alleged conduct of those 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders and their affiliates. LSP is not now and never has been an insider, or affiliated with an insider, of the Debtors, and does not agree to the terms of the comprehensive restructuring transaction resulting from the Mediation, because LSP asserts it would impose the cost of the mediated settlement on all 1.75 Lien Term Loan Lenders, including 1.75 Lien Term Loan Lenders who are not and never have been insiders, or affiliated with insiders, of the Debtors. LSP believes that cost is imposed in two important ways: (1) the cost of the Unsecured Equity Distribution would be borne Pro Rata by all 1.75 Lien Term Loan Lenders, not just those 1.75 Lien Term Loan Lenders that are or were insiders, or affiliated with insiders, of the Debtors; and (2) all 1.75 Lien Term Loan Lenders, not just those 1.75 Lien Term Loan Lenders that are or were insiders, or affiliated with insiders, of the Debtors, are expected to effectively waive their 1.75 Lien Term Loan Deficiency Claims (which would otherwise be entitled to participate in the Unsecured Settlement Recovery). In addition, LSP asserts that the mediated settlement would have all 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders release any claims they might have against those 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders that are or were insiders, or affiliated with insiders, of the Debtors for no consideration. The Debtors disagree with LSP's categorization of the mediated settlement, the claims set forth in the Draft Committee Complaint, and the settlement's impact on all 1.5 Lien Noteholders and 1.75 Lien Term Loan Lenders.

### I. Expected Timetable of the Chapter 11 Cases

The Debtors expect they will emerge from chapter 11 by [December 31, 2018]. **No assurances can be made, however, that the Bankruptcy Court will enter various orders on the timetable anticipated by the Debtors.**

## VIII. RISK FACTORS

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

### A. Bankruptcy Law Considerations

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

#### 1. Parties in Interest May Object to the Plan's Classification of Claims and Interests

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

#### 2. The Conditions Precedent to the Effective Date of the Plan May Not Occur

As more fully set forth in Article IX of the Plan, the Confirmation Date and the Effective Date of the Plan are subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Confirmation Date or the Effective Date will not take place.

#### 3. The Debtors May Fail to Satisfy Vote Requirements

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan or proceed with a sale of all or substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code. There can be no assurance that the terms of any such alternative chapter 11 plan or sale pursuant to section 363 of the Bankruptcy Code would be similar or as favorable to the Holders of Allowed Claims as those proposed in the Plan.

#### 4. The Debtors May Not Be Able to Secure Confirmation of the Plan

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the Bankruptcy Court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes;

(b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting Holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such Holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and the voting results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation are not met. If a chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors will be able to reorganize their business and what, if anything, Holders of Allowed Claims against them would ultimately receive on account of such Allowed Claims.

Confirmation of the Plan is also subject to certain conditions as described in Article IX of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims will receive on account of such Allowed Claims.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in less favorable treatment of any non-accepting Class, as well as any Class junior to such non-accepting Class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property with a lesser value than currently provided in the Plan or no distribution whatsoever under the Plan.

### 5. Nonconsensual Confirmation

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) 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 class(es). The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

### 6. The Chapter 11 Cases May Be Converted to Cases under Chapter 7 of the Bankruptcy Code

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather

than reorganizing or selling in a controlled manner affecting the business as a going concern, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, including Claims resulting from the rejection of Unexpired Leases and Executory Contracts.

**7. The Debtors May Object to the Amount or Classification of a Claim**

Except as otherwise provided in the Plan, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim, as the Debtors may seek to investigate, File, and prosecute Claims and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies any such Claims or objections to Claims such Claim is subject to an objection. Any Holder of a Claim thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

**8. Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan**

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

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

**9. Releases, Injunctions, and Exculpations Provisions May Not Be Approved**

Article VIII of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and third-party releases that may otherwise be asserted against the Debtors, the Reorganized Debtors, or the Released Parties. The releases, injunctions, and exculpations provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain Released Parties may withdraw their support for the Plan.

**10. Risk of Non-Occurrence of the Effective Date**

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur. If the Effective Date does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (a) constitute a waiver or release of any Claims by or Claims against or Interests in the Debtors; (b) prejudice in any manner the rights of the Debtors, any Holder of a Claim or Interest, or any other Entity; (c) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, any Holders of Claims or Interests, or any other Entity in any respect; or (d) be used by the Debtors or any Entity as evidence (or otherwise) in any litigation, including with regard to the strengths or weaknesses of any of the parties' positions, arguments, or claims.

### 11. Risk of Loss of Exclusive Right to Propose a Plan

At the outset of the Chapter 11 Cases, the Bankruptcy Code provides the Debtors with the exclusive right to propose the Plan and prohibits creditors and others from proposing a plan. The Debtors will have retained the exclusive right to propose the Plan upon Filing their Petitions. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtors' ability to achieve confirmation of the Plan in order to achieve the Debtors' stated goals.

### 12. Continued Risk upon Confirmation

Even if the Plan is consummated, the Reorganized Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in consumer demand for, and acceptance of, their oil and gas, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan of reorganization reflecting the Plan will achieve the Debtors' stated goals.

Further, even if the Debtors' debts are reduced and/or discharged through the Plan, the Reorganized Debtors may need to raise additional funds through public or private debt or equity financing or other various means to fund the Debtors' business after the completion of the proceedings related to the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

## B. Risks Related to the Debtors' Operations During and After These Chapter 11 Cases

The Debtors face substantial risks for the duration of the Chapter 11 Cases, which may impact their business while in Chapter 11 and afterwards.

### 1. The Debtors Will Be Subject to the Risks and Uncertainties Associated with the Chapter 11 Cases

For the duration of the Chapter 11 Cases, the Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include the following: (a) ability to develop, confirm, and consummate the Restructuring Transactions specified in the Plan; (b) ability to obtain Bankruptcy Court approval with respect to motions Filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with suppliers, service providers, customers, employees, royalty interest Holders, working interest Holders, and other third parties; (d) ability to maintain contracts that are critical to the Debtors' operations and potential for a loss of, or a disruption in the materials or services received from suppliers, contractors or service providers with whom the Debtors have commercial relationships; (e) ability of third parties to seek and obtain Court approval to terminate contracts and other agreements with the Debtors; (f) ability of third parties to seek and obtain Court approval to terminate or shorten the exclusive period for the Debtors to propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Debtors' creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with the Debtors' business plan.

These risks and uncertainties could affect the Debtors' business and operations in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Debtors' relationships with suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect the Debtors' operations and financial condition. Also, the Debtors will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may

limit the Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Debtors cannot accurately predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Debtors' business plan.

### 2. Operating in Bankruptcy for a Long Period of Time May Harm the Debtors' Business

A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Debtors' business, financial condition, results of operations, and liquidity. So long as the proceedings related to the Chapter 11 Cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations. A prolonged period of operating under Bankruptcy Court protection also may make it more difficult to retain management and other key personnel necessary to the success and growth of the Debtors' business. In addition, the longer the proceedings related to the Chapter 11 Cases continue, the more likely it is that suppliers will lose confidence in the Debtors' ability to reorganize their business successfully and will seek to limit their relationship with the Debtors.

So long as the proceedings related to the Chapter 11 Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases. Further, the Debtors may experience significant costs and delays due to litigation during the Chapter 11 Cases. The DIP Facilities may not be sufficient to support day-to-day operations in the event of a prolonged restructuring process and the Debtors may be required to seek additional debtor in possession financing to fund operations. If the Debtors are unable to obtain such financing on favorable terms or at all, chances of successfully reorganizing the Debtors' business may be seriously jeopardized, the likelihood that the Debtors instead will be required to liquidate their assets may be enhanced, and, as a result, any claims and securities in the Debtors could become further devalued or become worthless.

Further, the Debtors cannot predict the ultimate settlement terms for the liabilities that will be subject to a plan of reorganization. Even after a plan of reorganization is approved and implemented, the Reorganized Debtors' operating results may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that recently emerged from bankruptcy protection.

### 3. Financial Results May Be Volatile and May Not Reflect Historical Trends

During the Chapter 11 Cases, the Debtors expect that their financial results will continue to be volatile as asset impairments, asset dispositions, restructuring activities and expenses, contract terminations and rejections, and claims assessments significantly impact the Debtors' consolidated financial statements. As a result, the Debtors' historical financial performance likely will not be indicative of their financial performance after the Petition Date. In particular, the process of estimating oil and natural gas reserves is complex, requiring significant decisions and assumptions in the evaluation of available geological, engineering and economic data for each reservoir. As a result, the estimates are inherently imprecise evaluations of reserve quantities and future net revenue and such estimates prepared by different engineers or by the same engineers at different times, may vary substantially.

In addition, if the Debtors emerge from chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to the Debtors' operating plans pursuant to a plan of reorganization. The Debtors also may be required to adopt fresh start accounting, in which case their assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially

from the recorded values of assets and liabilities on the Debtors' consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends.

**4. The Debtors' Activities May Be Restricted By Financial Covenants Contained in the DIP Credit Agreement**

The Debtors' principal sources of liquidity historically have been internally generated Cash flows from operations, borrowings under certain credit agreements, issuances of debt securities, dispositions of non-strategic assets, joint ventures, and capital markets when conditions are favorable. During the pendency of the Chapter 11 Cases, the Debtors' liquidity depends mainly on Cash generated from operating activities and available funds under the DIP Facility. The DIP Credit Agreement includes certain affirmative and negative covenants, including, among other covenants customary in similar reserve-based credit facilities and debtor-in-possession financings, requirements to maintain a minimum level of liquidity and limit aggregate disbursements to certain thresholds compared to the 13-week Cash flow forecasts provided to the DIP Lenders.

The Debtors' future ability to comply with these restrictions and covenants is uncertain and will be affected by the levels of Cash flow from operations, development activities, and other events or circumstances beyond the Debtors' control. If market or other economic conditions deteriorate, the Debtors' ability to comply with these covenants may be impaired. If the Debtors violate any provisions of such financing agreements that are not cured or waived within the appropriate time periods provided therein, a significant portion of the Debtors' indebtedness may become immediately due and payable and the Debtors' lenders may not make further loans. The Debtors might not have, or be able to obtain, sufficient funds to make these accelerated payments.

**5. The Debtors' Substantial Liquidity Needs May Impact Production Levels and Revenue**

If the Debtors' Cash flow from operations remains depressed or decreases as a result of lower commodity prices or otherwise, the Debtors' ability to expend the capital necessary to replace proved reserves, maintain leasehold acreage, or maintain current production may be limited, resulting in decreased production and proved reserves over time.

The Debtors face uncertainty regarding the adequacy of their liquidity and capital resources and have extremely limited, if any, access to additional financing beyond the DIP Facility, which matures on January 1, 2019. In addition to the Cash necessary to fund ongoing operations, the Debtors have incurred significant professional fees and other costs in connection with preparing for the Chapter 11 Cases and expect to continue to incur significant professional fees and costs throughout the Chapter 11 Cases. The Debtors cannot guarantee that Cash on hand and Cash flow from operations will be sufficient to continue to fund their operations and allow the Debtors to satisfy obligations related to the Chapter 11 Cases until the Debtors are able to emerge from bankruptcy protection.

The Debtors' liquidity, including the ability to meet ongoing operational obligations, will be dependent upon, among other things: (a) ability to comply with the terms and conditions of the DIP Order; (b) ability to maintain adequate Cash on hand; (c) ability to generate Cash flow from operations; (d) ability to develop, confirm, and consummate a chapter 11 plan or other alternative restructuring transaction, including the sale of some or substantially all of the Debtors' assets; and (e) the cost, duration, and outcome of the Chapter 11 Cases. The Debtors' ability to maintain adequate liquidity depends, in part, upon industry conditions and general economic, financial, competitive, regulatory, and other factors beyond the Debtors' control. In the event that Cash on hand and Cash flow from operations are not sufficient to meet the Debtors' liquidity needs, the Debtors may be required to seek additional financing. The Debtors can provide no assurance that additional financing would be available or, if available, offered to the Debtors on

acceptable terms. The Debtors' access to additional financing is, and for the foreseeable future likely will continue to be, extremely limited if it is available at all.

**6. Oil and Natural Gas Prices Are Volatile, and Continued Low Oil or Natural Gas Prices Could Materially Adversely Affect the Debtors' Business, Results of Operations, and Financial Condition**

The Debtors' revenues, profitability and the value of the Debtors' properties substantially depend on prevailing oil and natural gas prices. Oil and natural gas are commodities, and therefore, their prices are subject to wide fluctuations in response to changes in supply and demand. Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future, especially given current economic and geopolitical conditions. During 2017, the NYMEX Henry Hub natural gas price fluctuated from a high of $3.65 per Mmbtu to a low of $2.44 per Mmbtu, while the NYMEX WTI crude oil price ranged from a high of $60.42 per Bbl to a low of $42.53 per Bbl. For the five years ended December 31, 2017, the NYMEX Henry Hub natural gas price ranged from a high of $7.94 per Mmbtu to a low of $1.49 per Mmbtu, while the NYMEX WTI crude oil price ranged from a high of $110.53 per Bbl to a low of $26.21 per Bbl. The Debtors expect such volatility to continue in the future. The prices for oil and natural gas are subject to a variety of factors beyond the Debtors' control, such as:

- the current uncertainty in the global economy;
- changes in global supply and demand for oil and natural gas;
- the condition of the United States and global economies;
- domestic government regulation, legislation, and policies;
- the actions of certain foreign countries;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions, including embargoes, war or civil unrest in or affecting other oil producing activities of certain countries, and acts of terrorism or sabotage;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- production or pricing decisions made by the Organization of Petroleum Exporting Countries;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels and other energy sources.

The reference or regional index prices that the Debtors use to price their oil and natural gas sales sometimes reflect a premium or discount to the relevant benchmark prices, such as NYMEX. The difference between the benchmark price and the price the Debtors reference in their sales contracts is called a differential. The Debtors cannot accurately predict oil and natural gas differentials. Changes in differentials between the benchmark price for oil and natural gas and the reference or regional index price

the Debtors reference in their sales contracts could have a material adverse effect on their results of operations and financial condition. These differentials vary depending on factors such as supply, demand, pipeline capacity, infrastructure, and weather. The Debtors have experienced significant volatility in their price differentials to date.

Oil and natural gas prices affect the amount of Cash flow available to the Debtors to meet their financial commitments and fund capital expenditures. Moreover, the Debtors are not party to any commodity derivative contracts, meaning all of the Debtors' estimated production is exposed to commodity price volatility. During the Chapter 11 Cases, the Debtors' ability to enter into commodity derivative contracts covering estimated future production is limited under the DIP Credit Agreement. The Debtors are only permitted to enter into commodity derivative contracts with lenders under the DIP Credit Agreement. As a result, the Debtors may not be able to enter into commodity derivative contracts covering production in future periods on favorable terms or at all. If the Debtors cannot or choose not to enter into commodity derivative contracts in the future, the Debtors could be more affected by changes in commodity prices. The Debtors' inability to hedge the risk of low commodity prices in the future, on favorable terms or at all, could have a material adverse impact on the Debtors' business, financial condition, and results of operations.

Oil and natural gas prices also impact the Debtors' ability to borrow money and raise additional capital. Lower oil and natural gas prices may not only decrease the Debtors' revenues on a per-unit basis, but also may reduce the amount of oil and natural gas that the Debtors can produce economically in the future. Higher operating costs associated with any of the Debtors' oil or natural gas fields will make their profitability more sensitive to oil or natural gas price declines. A sustained decline in oil or natural gas prices may materially and adversely affect the Debtors' future business, financial condition, results of operations, liquidity, or ability to finance planned capital expenditures. In addition, a sustained decline in oil or natural gas prices might result in substantial downward estimates of the Debtors' proved reserves. As a result, if there is a further decline or sustained depression in commodity prices, the Debtors may, among other things, be unable to maintain or increase their borrowing capacity, meet their debt obligations or other financial commitments, or obtain additional capital, all of which could materially adversely affect the Debtors' business, results of operations, and financial condition.

### 7. Drilling for and Producing Natural Gas and Oil Are High Risk Activities with Many Uncertainties that Could Adversely Affect the Debtors' Business, Financial Condition, and Results of Operations

The Debtors' future success will depend on, among other things, the success of their development and production activities. The Debtors must incur significant expenditures to identify and acquire properties and to drill and complete wells. The costs of drilling and completing wells are often uncertain, and drilling operations may be curtailed, delayed, or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, weather conditions, and shortages or delays in the delivery of equipment. Additionally, seismic and other technology does not allow the Debtors to know conclusively prior to drilling a well that oil and natural gas is present or economically producible. The results of drilling in new or emerging formations, including the Debtors' properties in shale formations, are more uncertain initially than drilling results in areas that are developed, have established production, or where the Debtors have a longer history of operation. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical.

Further, the Debtors' future business, financial condition, results of operations, liquidity, or ability to finance planned capital expenditures could be materially and adversely affected by any factor that may curtail, delay, or cancel drilling, including the following:

- delays imposed by or resulting from compliance with regulatory requirements;

- unusual or unexpected geological formations;
- pressure or irregularities in geological formations;
- shortages of or delays in obtaining equipment, materials, and qualified personnel;
- equipment malfunctions, failures, or accidents;
- unexpected operational events and drilling conditions;
- pipe or cement failures;
- casing collapses;
- lost or damaged oilfield drilling and service tools;
- loss of drilling fluid circulation;
- uncontrollable flows of oil, natural gas, and fluids;
- fires and natural disasters;
- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures, and discharges of toxic gases;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- natural gas and oil property title problems; and
- market limitations for natural gas and oil.

If any of these factors were to occur with respect to a particular field, the Debtors could lose all or a part of their investment in the field, or they could fail to realize the expected benefits from the field, either of which could materially and adversely affect their revenue and profitability.

In addition, the Debtors' operations are subject to the risks inherent in the oil and natural gas industry, including the risks of fires, explosions, and blowouts; pipe failures; abnormally pressured formations; and environmental accidents such as oil spills, natural gas leaks, ruptures or discharges of toxic gases, brine or well fluids into the environment (including groundwater contamination). As is customary in the oil and natural gas industry, the Debtors maintain insurance against some, but not all, of these risks. The Debtors' insurance may not be adequate to cover these potential losses or liabilities. Further, insurance coverage may not continue to be available at commercially acceptable premium levels or at all. Due to cost considerations, from time to time the Debtors have declined to obtain coverage for certain drilling activities, and the Debtors do not carry business interruption insurance. Losses and liabilities arising from uninsured or under-insured events could require the Debtors to make large unbudgeted Cash expenditures that could adversely impact results of operations and Cash flow.

Further, the Debtors' success depends upon their ability to find, develop or acquire additional oil and natural gas reserves that are profitable to produce. Factors that may hinder the Debtors' ability to

acquire or develop additional oil and natural gas reserves include competition, access to capital, prevailing oil and natural gas prices and the number and attractiveness of properties for sale. The Debtors' decisions to purchase, explore, develop or otherwise exploit properties or prospects will depend in part on the evaluation of data obtained from production reports and engineering studies, geophysical and geological analyses and seismic and other information, the results of which are often inconclusive and subject to various interpretations. These decisions could significantly reduce the Debtors' ability to generate Cash needed to service the Debtors' debt and other working capital requirements.

**8. The Debtors May Not Be Able To Secure Required Consents From Third Parties**

Leases on oil and natural gas properties typically have a term after which they expire unless, prior to expiration, a well is drilled and production of hydrocarbons in paying quantities is established. If the Debtors' leases expire and they are unable to renew the leases, the Debtors will lose the right to develop the related properties.

Further, the Debtors conduct a substantial portion of their operations through joint interest and joint venture arrangements with third parties. In many instances, the Debtors depend on these third parties for elements of these arrangements, such as payments of substantial development and other costs. The performance of these third party obligations or the ability of third parties to meet their obligations under these arrangements is outside the Debtors' control. If these parties do not meet or satisfy their obligations under these arrangements, the performance and success of these arrangements, and their value to the Debtors, may be adversely affected. If the Debtors' current or future joint interest or joint venture partners are unable to meet their obligations, the Debtors may be forced to undertake the obligations and/or incur additional expenses in order to have some other party perform such obligations. In such cases, the Debtors may also be required to enforce their rights, which may cause disputes among the Debtors and their joint interest and joint venture partners. If any of these events occur, they may adversely impact the Debtors' financial performance and results of operations.

**9. The Debtors May Encounter Obstacles to Marketing Their Oil and Natural Gas, Which Could Adversely Impact Revenues**

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements or infrastructure may hinder the Debtors' access to oil and natural gas markets or delay the Debtors' production. The availability of a ready market for the Debtors' oil and natural gas production depends on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities.

The Debtors' ability to market their production depends, in substantial part, on the availability and capacity of gathering systems, pipelines, processing facilities and oil and condensate trucking operations owned and operated by third-parties. The Debtors' failure to obtain these services on acceptable terms could have a material adverse effect on their business. Transportation space on the gathering systems and pipelines the Debtors utilize is occasionally limited or unavailable due to repairs, outages caused by accidents or other events, or improvements to facilities or due to space being utilized by other companies that have priority transportation agreements. The Debtors may be required to shut in wells for a variety of reasons, including due to lack of a market or inadequacy or unavailability of crude oil or natural gas pipelines, gathering systems or trucking capacity. A portion of the Debtors' production may also be interrupted, or shut-in, from time to time for numerous other reasons, including as a result of accidents, excessive pressures, maintenance, weather, field labor issues or other disruptions of service. Curtailments and disruptions may last from a few days to several months, and we have no control over when or if third-party facilities are restored. In addition, if the Debtors are unable to transport or sell natural gas due to limitations in infrastructure, the Debtors may experience significant curtailments of production if they

are not able to find an operational or commercial solution, and may be required to shut-in certain wells, among other things.

**10. The Debtors are Subject to Complex Federal, State, and Other Laws and Regulations That May Result In Substantial Expenditures**

The Debtors' oil and natural gas development and production operations are subject to complex and stringent laws and regulations that may require the incurrence of substantial compliance costs. Laws, rules and regulations protecting the environment have changed frequently and the changes often include increasingly stringent requirements. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the incurrence of investigatory or remedial obligations as well as associated natural resource damages, or the issuance of injunctive relief. Any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements, or requirements for drilling, completing, operating, and abandoning wells and related facilities, could require the Debtors to make significant expenditures to maintain compliance, and may otherwise have a material adverse effect on the Debtors' earnings, results of operations, competitive position or financial condition.

**11. The Loss of Key Customers Could Adversely Affect the Debtors' Revenues**

The Debtors' ability to collect payments from the sale of oil and natural gas to their customers depends on the payment ability of their customer base, which includes several significant customers. If any one or more of the Debtors' significant customers fails to pay the Debtors for any reason, the Debtors could experience a material loss. In addition, if any of the Debtors' significant customers cease to purchase oil or natural gas or reduce the volume of the oil or natural gas that they purchase from the Debtors, the loss or reduction could have a detrimental effect on the Debtors' production volumes and may cause a temporary interruption in sales of, or a lower price for, our oil and natural gas.

**12. The Loss of Key Personnel Could Adversely Affect the Debtors' Operations**

The Debtors' operations are dependent on a relatively small group of key management personnel, including the Debtors' executive officers. The Debtors' recent liquidity issues and the Chapter 11 Cases have created distractions and uncertainty for key management personnel and employees. As a result, the Debtors may experience increased levels of employee attrition. Because competition for experienced personnel in the oil and gas industry can be significant, the Debtors may be unable to find acceptable replacements with comparable skills and experience and the loss of such key management personnel could adversely affect the Debtors' ability to operate their business. In addition, a loss of key personnel or material erosion of employee morale at the corporate and/or field levels could have a material adverse effect on the Debtors' ability to meet customer and counterparty expectations, thereby adversely affecting the Debtors' business and the results of operations.

**C. Risks Related to Recoveries Provided Under the Plan**

Certain risks may affect the recoveries provided under the Plan.

**1. The Debtors May Not Be Able to Achieve their Projected Financial Results**

The Debtors may not be able to achieve their projected financial results. The Financial Projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Debtors' operations, as well as the United States and world economies in general, and the industry segments in which the Debtors operate in particular. While the Debtors believe

that the financial projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized. In addition, the process of estimating oil and natural gas reserves is complex, requiring significant assumptions in the evaluation of available geological, engineering and economic data for each reservoir. As a result, the estimates are inherently imprecise and such estimates may vary substantially.

If the Debtors do not achieve their projected financial results, the value of the New Common Stock may be negatively affected. The Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

### 2. The New Common Stock May Not Be Publicly Traded

The New Common Stock to be issued under the Plan will not be listed on or traded on any nationally recognized market or exchange. Accordingly, there can be no assurance that an active trading market for the New Common Stock will develop, nor can any assurance be given as to the prices at which such stock might be traded. In the event an active trading market does not develop, the ability to transfer or sell New Common Stock may be substantially limited. Moreover, the Shareholders Agreement may contain significant restrictions on transferability, as well as insufficient minority shareholder protections. Finally, there can be no assurance that even if an active trading market does develop, that such shares will trade at prices that are anywhere near (and in fact, may be materially different) to the recovery percentages as set forth in the Disclosure Statement.

### 3. Certain Holders of New Common Stock May Be Restricted in their Ability to Transfer or Sell their Securities

To the extent that the New Common Stock issued under the Plan is covered by section 1145(a)(1) of the Bankruptcy Code, it may be resold by the Holders thereof without registration under the Securities Act unless the Holder is an "underwriter," as defined in section 1145(b) of the Bankruptcy Code with respect to such securities. Resales by Persons who receive New Common Stock pursuant to the Plan that are deemed to be "underwriters" would not be exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or applicable law. Such Persons would only be permitted to sell such securities without registration if they are able to comply with an applicable exemption from registration, including Rule 144 under the Securities Act.

The New Common Stock will not be registered under the Securities Act or any state securities laws, and the Debtors make no representation regarding the right of any Holder of New Common Stock to freely resell the New Common Stock. *See* Article XI to this Disclosure Statement, entitled "CERTAIN SECURITIES LAW MATTERS," which begins on page 71.

### 4. Certain Tax Implications of the Plan

Consummation of the Plan may result in significant tax implications for the Debtors and Holders of Claims. Holders of Allowed Claims should carefully review Article XII of this Disclosure Statement, entitled "CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN," which begins on page 72, to determine how the tax implications of the Plan and the Chapter 11 Cases may adversely affect the Reorganized Debtors and Holders of Claims.

**5. The Debtors May Not Be Able to Accurately Report Their Financial Results**

The Debtors have established internal controls over financial reporting. However, internal controls over financial reporting may not prevent or detect misstatements or omissions in the Debtors' financial statements because of their inherent limitations, including the possibility of human error, and the circumvention or overriding of controls or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If the Debtors fail to maintain the adequacy of their internal controls, the Debtors may be unable to provide financial information in a timely and reliable manner within the time periods required for the Debtors' financial reporting under SEC rules and regulations and the terms of the agreements governing the Debtors' indebtedness. Any such difficulties or failure could materially adversely affect the Debtors' business, results of operations, and financial condition. Further, the Debtors may discover other internal control deficiencies in the future and/or fail to adequately correct previously identified control deficiencies, which could materially adversely affect the Debtors' business, results of operations, and financial condition.

**6. The Reorganized Debtors May Not Be Able to Generate Sufficient Cash to Service All of their Indebtedness**

The Reorganized Debtors' ability to make scheduled payments on, or refinance their debt obligations, depends on the Reorganized Debtors' financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Reorganized Debtors' control. The Reorganized Debtors may be unable to maintain a level of Cash flow from operating activities sufficient to permit the Reorganized Debtors to pay the principal, premium, if any, and interest on their indebtedness, including, without limitation, anticipated borrowings under the Exit Facility, or 1.5 Lien Take-Back Debt (if applicable) upon emergence, which risk may be significant in light of the post-emergence capital structure contemplated by the Plan.

**7. The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising Out of the Chapter 11 Cases**

The Reorganized Debtors may become parties to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' business and financial stability, however, could be material.

**8. Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the Reorganized Debtors' Financial Condition and Results of Operations**

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all Claims that arise prior to the Debtors' Filing of their Petitions or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the plan of reorganization and/or (b) would be discharged in accordance with the terms of the plan of reorganization. Any Claims not ultimately discharged through a plan of reorganization could be asserted against the Reorganized Debtors and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations on a post-reorganization basis.

## IX. SOLICITATION AND VOTING PROCEDURES

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

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

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

### A. Holders of Claims Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all Holders of Claims against a debtor are entitled to vote on a chapter 11 plan. The table in section IV.C of this Disclosure Statement, entitled "Am I entitled to vote on the Plan?," which begins on page 5, provides a summary of the status and voting rights of each Class (and, therefore, of each Holder within such Class absent an objection to the Holder's Claim) under the Plan.

As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from Holders of Claims in Classes [3], 4, 5, 6, and 7 (collectively, the "Voting Classes"). The Holders of Claims in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, Holders of Claims in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are ***not*** soliciting votes from Holders of Claims and Interests in Classes 1, 2, [3], 8, 9, 10, 11, and 12. Additionally, the Disclosure Statement Order provides that certain Holders of Claims in the Voting Classes, such as those Holders whose Claims have been disallowed, are not entitled to vote to accept or reject the Plan.

### B. Voting Record Date

***The Voting Record Date is [●], 2018***. The Voting Record Date is the date on which it will be determined which Holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee or transferee, as applicable, can vote to accept or reject the Plan as the Holder of a Claim.

### C. Voting on the Plan

***The Voting Deadline is [●], 2018, at 4:00 p.m. (prevailing Central Time)***. In order to be counted as votes to accept or reject the Plan, ballots must be returned as directed and *received* by the Voting Deadline. Holders of Class 6 Unsecured Notes Claims should return their ballot to their nominee, allowing enough time for the nominee to include the vote on a master ballot, and submit the master ballot by the Voting Deadline.

### D. Ballots Not Counted

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

**IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE EMAIL TABULATION@EPIQGLOBAL.COM AND REFERENCE "EXCO" IN THE SUBJECT LINE OR CALL THE PHONE NUMBER LISTED ON YOUR BALLOT.**

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

## X. CONFIRMATION OF THE PLAN

### A. Requirements for Confirmation of the Plan

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims or Interests, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the rejecting Impaired Class; (2) the Plan is feasible; and (3) the Plan is in the "best interests" of Holders of Claims and Interests.

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

If any Parties intend to seek discovery in connection with Confirmation of the Plan, such Parties are encouraged to seek such discovery as soon as possible, because there is no guarantee that there will be sufficient funds to finance the Chapter 11 Cases if the Confirmation Hearing is delayed due to protracted Plan discovery. There can be no guarantee the Consenting Creditors will continue to support the Plan, or any other plan of reorganization, in that scenario. If this happens, as the Debtors have stated previously in the Chapter 11 Cases and elsewhere in this Disclosure Statement, the Debtors may be forced to liquidate, resulting in zero to very low recoveries for all stakeholders.

### B. Best Interests of Creditors/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each impaired class, that each Holder of a claim or an equity interest in such impaired class either (1) has

accepted the plan or (2) will receive or retain under the plan property of a value that is not less than the amount that the non-accepting Holder would receive or retain if the Debtors liquidated under chapter 7.

Attached hereto as **Exhibit D** and incorporated herein by reference is a liquidation analysis (the "Liquidation Analysis") prepared by the Debtors with the assistance of A&M, the Debtors' restructuring advisor. As reflected in the Liquidation Analysis, the Debtors believe that liquidation of the Debtors' business under chapter 7 of the Bankruptcy Code would result in substantial diminution in the value to be realized by Holders of Claims as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to Holders of Claims than would a liquidation under chapter 7 of the Bankruptcy Code.

If the Plan is not confirmed, and the Debtors fail to propose and confirm an alternative plan of reorganization, the Debtors' business may be liquidated pursuant to the provisions of a chapter 11 liquidating plan. In liquidations under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation may result in larger recoveries than a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Any distribution to Holders of Claims under a chapter 11 liquidation plan would most likely be substantially delayed. Most importantly, the Debtors believe that any distributions to creditors in a chapter 11 liquidation scenario would fail to capture the significant going concern value of their business, which is reflected in the New Common Stock to be distributed under the Plan. Accordingly, the Debtors believe that a chapter 11 liquidation would not result in distributions as favorable as those under the Plan.

### C. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in such plan of reorganization).

To determine whether the Plan meets this feasibility requirement, the Debtors, with the assistance of PJT, the Debtors' investment banker, have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared a projected consolidated income statement, which includes the following: (a) the Debtors' consolidated, unaudited, preliminary, financial statement information for the fiscal year ended December 31, [●] and (b) consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "Financial Projections") for the period beginning [●] and continuing through [●]. The Financial Projections are based on an assumed Effective Date of [●], 2018 and certain assumptions regarding the Debtors' ability to consummate the Exit Facility and 1.5 Lien Take-Back Debt (if applicable). To the extent that the Effective Date occurs before or after [●], 2018, recoveries on account of Allowed Claims could be impacted. Creditors and other interested parties should review Article VIII of this Disclosure Statement, entitled "RISK FACTORS," which begins on page 53, for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

The Financial Projections are attached hereto as **Exhibit E** and incorporated herein by reference. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following the Chapter 11 Cases and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

### D. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accepts the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of votes with respect to such a class is not required.[6]

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

### E. Confirmation without Acceptance by All Impaired Classes

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

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

#### 1. No Unfair Discrimination

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

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[6] A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

### 2. 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 percent of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class.

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

## F. Valuation of the Debtors

In conjunction with formulating the Plan and satisfying its obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-Confirmation going concern value of the Debtors. The Valuation Analysis is set forth in **Exhibit F** attached hereto and incorporated herein by reference. The Debtors' enterprise valuation, as set forth in the Valuation Analysis, is substantially less than the value ascribed to the Debtors' assets in their Petitions and subsequently Filed Schedules. The value of the Debtors' assets as listed on the Debtors' Petitions was based on an accounting book value calculated in accordance with Generally Accepted Accounting Principles ("GAAP") as of [●]. Book values of assets prepared in accordance with GAAP generally do not reflect the current performance of the assets or the impact of the commodity price environment and may differ materially from the actual value and/or performance of the underlying assets. Given the dramatic swing in the commodity prices over the past few months, this difference is material. As such, the value listed in the Petitions and the subsequently Filed Schedules cannot be, and was not, used to determine the Debtors' enterprise valuation.

## G. The Plan Supplement

The Debtors will File certain documents that provide additional details regarding implementation of the Plan in the Plan Supplement, which will be Filed with the Bankruptcy Court no later than fourteen (14) Business Days before the Confirmation Hearing (or such later date as may be approved by the Bankruptcy Court). The Plan Supplement will include, among other documents:

- the New Organizational Documents;
- the Assumed Executory Contract and Unexpired Lease List;
- the Rejected Executory Contract and Unexpired Lease List;
- the Retained Causes of Action List;
- the identity of the members of the Reorganized EXCO Board and management for the Reorganized Debtors;
- the Exit Facility Documents;
- the 1.5 Lien Take-Back Debt Documents (if applicable); and

- the Shareholders Agreement.

Notwithstanding the foregoing, the Debtors, with the consent of the other Proponents, may amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date.

Copies of the Plan Supplement documents will be available on the website of the Debtors' Notice and Claims Agent at https://dm.epiq11.com/ERI (free of charge) or the Bankruptcy Court's website at http://www.txs.uscourts.gov (for a fee).

## XI. CERTAIN SECURITIES LAW MATTERS

### A. New Common Stock

As discussed herein, the Plan provides for Reorganized EXCO to distribute New Common Stock to Holders of Allowed 1.75 Lien Term Loan Facility Claims, Allowed Second Lien Term Loan Facility Claims, Allowed Unsecured Notes Claims, and Allowed GUC Claims. The New Common Stock is or may be "securities," as defined in Section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws.

### B. Issuance and Resale of New Common Stock under the Plan

#### 1. Private Placement Exemptions

All shares of New Common Stock that will be issued under the Plan will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon section 1145 of the Bankruptcy Code. The new equity underlying the Management Incentive Plan will be issued pursuant to a registration statement or another available exemption from registration under the Securities Act and other applicable law.

**RECIPIENTS OF NEW COMMON STOCK ARE ADVISED TO CONSULT WITH THEIR OWN LEGAL ADVISORS AS TO THE AVAILABILITY OF ANY EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE BLUE SKY LAW.**

#### 2. Resale of New Common Stock; Definition of Underwriter

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an Entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest; (b) offers to sell securities offered or sold under a plan for the Holders of such securities; (c) offers to buy securities offered or sold under a plan from the Holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a Person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The

reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "Controlling Persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "Controlling Person" of the debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. While there is no precise definition of a "controlling" stockholder, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent or more of a class of securities of a reorganized debtor may be presumed to be a "Controlling Person" and, therefore, an underwriter.

Resales of New Common Stock by Entities deemed to be "underwriters" (which definition includes "Controlling Persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, Holders of New Common Stock who are deemed to be "underwriters" may be entitled to resell their New Common Stock pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such Person if the required holding period has been met and, under certain circumstances, current information regarding the issuer is publicly available and volume limitations, manner of sale requirements and certain other conditions are met. Whether any particular Person would be deemed to be an "underwriter" (including whether the Person is a "Controlling Person") with respect to the New Common Stock would depend upon various facts and circumstances applicable to that Person. Given the complex nature of the question of whether a particular person may be an underwriter and other issues arising under applicable securities laws, accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the New Common Stock and, in turn, whether any Person may freely resell New Common Stock. **The Debtors recommend that potential recipients of New Common Stock consult their own counsel concerning their ability to freely trade such securities without compliance with the federal law and any applicable state Blue Sky Law.**

#### 3. New Common Stock / Management Incentive Plan

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## XII. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

### A. Introduction

The following discussion summarizes certain United States ("U.S.") federal income tax consequences of the implementation of the Plan to the Debtors, the Reorganized Debtors, and certain Holders of Claims. This summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions and published administrative rules, and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof (collectively, "Applicable Tax Law"). Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The Debtors have not requested, and will not request, any ruling or determination from the IRS or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This summary does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a Holder in light of its individual circumstances or to a Holder that may be subject to special tax rules (such as Persons who are related to the Debtors within the meaning of the Tax Code, persons liable for alternative minimum tax, foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons who hold Claims or who will hold the New Common Stock as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and Holders of Claims who are themselves in bankruptcy). Further, this summary assumes that a Holder of a Claim holds only Claims in a single Class and holds a Claim only as a "capital asset" (within the meaning of section 1221 of the Tax Code). This summary also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form, and that the Claims constitute interests in the Debtors "solely as a creditor" for purposes of section 897 of the Tax Code.[7] This summary does not discuss differences in tax consequences to Holders of Claims that act or receive consideration in a capacity other than any other Holder of a Claim of the same Class or Classes, and the tax consequences for such Holders may differ materially from that described below.

For purposes of this discussion, a "U.S. Holder" is a Holder of a Claim that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other Entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person. For purposes of this discussion, a "non-U.S. Holder" is any Holder of a Claim that is not a U.S. Holder other than any partnership (or other Entity treated as a partnership or other pass-through Entity for U.S. federal income tax purposes).

If a partnership (or other Entity treated as a partnership or other pass-through Entity for U.S. federal income tax purposes) is a Holder of a Claim, the tax treatment of a partner (or other beneficial owner) generally will depend upon the status of the partner (or other beneficial owner) and the activities of the Entity. Partners (or other beneficial owners) of partnerships (or other pass-through entities) that are Holders of Claims should consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

**ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX**

[7] It is possible that a Claim the interest on which may be paid in either debt or equity could instead constitute an interest in real property other than an interest "solely as a creditor," in which case the Claim would constitute a "United States real property interest" (a "USRPI"). In that event, a Holder's exchanging the USRPI under this Plan would trigger application of the rules under the Foreign Investment in Real Property Tax Act ("FIRPTA"), which would likely yield unfavorable tax consequences to the Holder. The Debtors continue to evaluate whether FIRPTA is applicable here.

**ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME, ESTATE, AND OTHER TAX CONSEQUENCES OF THE PLAN.**

### B. Certain U.S. Federal Income Tax Consequences to the Debtors and the Reorganized Debtors

#### 1. Characterization of Restructuring Transactions

The Debtors intend to structure the Restructuring Transactions as a reorganization of the Debtors as a going concern without any taxable sales of any assets pursuant to the Plan (such a structure, an "Equity Transaction"). If the Debtors structure the Restructuring Transactions as an Equity Transaction, the transaction would not give rise to any gain or loss (other than as a result of CODI, as described below). In an Equity Transaction, the Debtors' tax attributes will, subject to the rules discussed below regarding CODI and Section 382 of the Tax Code, survive the restructuring process and potentially be usable by the Reorganized Debtors going forward.

#### 2. Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and recognize CODI, for U.S. federal income tax purposes, upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of CODI, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (i) the amount of Cash paid, (ii) the issue price of any new indebtedness of the taxpayer issued, and (iii) the fair market value of any other new consideration (including stock of the debtor) given in satisfaction of such indebtedness at the time of the exchange.

Under section 108 of the Tax Code, a debtor is not required to include CODI in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of CODI that it excluded from gross income pursuant to the rule discussed in the preceding sentence. In general, tax attributes will be reduced in the following order: (a) NOLs; (b) most tax credits; (c) capital loss carryovers; (d) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); (e) passive activity loss and credit carryovers; and (f) foreign tax credits.[8] Alternatively, a debtor with CODI may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the Tax Code.[9] The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess CODI over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

The Treasury Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations. Under these Treasury Regulations, the tax attributes of each member of an affiliated group of corporations that is excluding CODI is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a

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[8] Under the 2017 tax reform legislation commonly referred to as the tax cuts and jobs act (the "Tax Cut and Jobs Act"), interest deductions in excess of statutorily-defined limits are deferred under section 163(j) of the Tax Code unless and until a debt issuer has sufficient adjusted taxable income to be entitled to claim such deductions. It is unclear whether interest deductions that are deferred under section 163(j) are subject to reduction under section 108.

[9] This extent to which this election can apply to the Debtors' assets that are subject to depletion, as opposed to depreciation, is subject to uncertainty.

debtor member's excluded CODI exceeds its tax attributes, the excess CODI is applied to reduce certain remaining consolidated tax attributes of the affiliated group.

As a result of the Restructuring Transactions, the Debtors expect to realize CODI. The exact amount of any CODI that will be realized by the Debtors will not be determinable until the consummation of the Plan. Because the Plan provides that certain Claim Holders will receive non-Cash consideration, the amount of CODI, and accordingly the amount of tax attributes required to be reduced, will depend, in part, on the fair market value (or, in the case of debt instruments, the adjusted issue price) of the non-Cash consideration received, which cannot be known with certainty at this time.

### 3. Limitation of NOL Carryforwards and Other Tax Attributes

As of December 31, 2017, the Debtors had approximately $2.1 billion of NOLs. Additional losses may be generated in 2018. Following the Effective Date, the Debtors anticipate that any NOL carryovers, capital loss carryovers, tax credit carryovers, and certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Reorganized Debtors that are not reduced according to the CODI rules described above and that are allocable to periods before the Effective Date (collectively, the "Pre-Change Losses") may be subject to limitation under sections 382 and 383 of the Tax Code as a result of an "ownership change" of the Reorganized Debtors by reason of the transactions consummated pursuant to the Plan.

Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. The rules of section 382 of the Tax Code are complicated, but as a general matter, the Debtors anticipate that the distribution of the New Common Stock pursuant to the Plan will result in an "ownership change" of the Reorganized Debtors for these purposes, and that the Reorganized Debtors' use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the Tax Code applies.

For this purpose, if a corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or consolidated group's) net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15 percent of the fair market value of its assets (with certain adjustments) before the ownership change.

#### (a) General Section 382 Annual Limitation

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs, currently 2.29 percent for September 2018). The section 382 Limitation may be increased to the extent that the Debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. Section 383 of the Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. As discussed below, however, special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding.

Notwithstanding the rules described above, if post-ownership change, a debtor corporation and its subsidiaries do not continue the debtor corporation's historic business or use a significant portion of its historic business assets in a new business for two years after the ownership change, the annual limitation resulting from the ownership change is zero.

**(b) Special Bankruptcy Exceptions**

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their Claims, at least 50 percent of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Reorganized Debtors undergo another "ownership change" within two years after the Effective Date, then the Reorganized Debtors' Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the debtor corporation is not required to reduce its NOL carryforwards by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo an ownership change within two years without triggering the elimination of its Pre-Change Losses.

The Debtors currently believe that there is a high possibility that an Equity Transaction would qualify for the 382(l)(5) Exception, although analysis is ongoing. If an Equity Transaction is eligible for the 382(l)(5) Exception, the Debtors currently anticipate that they would not elect out of its application. **In such case, in order to avoid a subsequent ownership change, the Debtors anticipate that the applicable corporate documents of the Reorganized Debtors would contain customary charter restrictions limiting certain trading in the New Common Stock, at least for a two-year period and potentially for later periods.** Regardless of whether the Reorganized Debtors take advantage of the 382(l)(6) Exception or the 382(l)(5) Exception, the Reorganized Debtors' use of their Pre-Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of section 382 of the Tax Code were to occur after the Effective Date.

**C. Certain U.S. Federal Income Tax Consequences to Certain U.S. Holders of Claims**

The following discussion assumes that the Debtors will undertake the Restructuring Transactions currently contemplated by the Plan. Holders of Claims and Interests are urged to consult their tax advisors regarding the tax consequences of the Restructuring Transactions.

The U.S. federal income tax consequences to a U.S. Holder of a Claim will depend, in part, on whether the Claims surrendered constitute "securities" of EXCO for United States federal income tax purposes. Whether a debt instrument constitutes a "security" for U.S. federal income tax purposes is

determined based on all the relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. Holders should consult their own tax advisors regarding the status of their claims as securities.

**1. U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Class 3 Claims**

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed Class 3 Claim agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of the Class 3 Claim, each such U.S. Holder shall receive either: (i) payment in full in Cash; or (ii) its Pro Rata share of the 1.5 Lien Take-Back Debt or Cash.

If a U.S. Holder of an Allowed Class 3 Claim receives 1.5 Lien Take-Back Debt, an Allowed Class 3 Claim qualifies as a "security" of EXCO, and the 1.5 Lien Take-Back Debt qualifies as a "security" of Reorganized EXCO, then the Holder of the Allowed Class 3 Claim should be treated as receiving 1.5 Lien Take-Back Debt in a recapitalization. In either case, subject to the rules regarding "accrued but untaxed interest" (as discussed in Section XII.C.5 of this Disclosure Statement, entitled "Accrued Interest," which begins on page 80), a Holder of such Claim should recognize gain (but not loss) equal to, in general, the "issue price" (as discussed in Section XII.C.4 of this Disclosure Statement, entitled "Issue Price," which begins on page 80) of the 1.5 Lien Take-Back Debt received minus the Holder's adjusted basis, if any, in the Claim. The Holder should obtain a tax basis in the debt received, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to (a) the tax basis of the Claim surrendered plus (b) gain recognized (if any). The tax basis of any non-Cash consideration treated as received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest. Subject to amounts treated as received in satisfaction of accrued but untaxed interest, the holding period for the debt received should include the holding period for the exchanged Claim. The holding period for any non-Cash consideration treated as received in satisfaction of accrued but untaxed interest should begin on the day following the receipt of such property.

If a U.S. Holder of an Allowed Class 3 Claim receives 1.5 Lien Take-Back Debt and either an Allowed Class 3 Claim does not qualify as a "security" of EXCO or the 1.5 Lien Take-Back Debt does not qualify as a "security" of Reorganized EXCO, then the Holder of the Allowed Class 3 Claim will be treated as receiving the debt in a taxable exchange under section 1001 of the Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest, the Holder should recognize gain or loss in an amount equal to the difference, if any, between (a) the issue price of the 1.5 Lien Take-Back Debt received, and (b) the Holder's adjusted tax basis in its Claim. The character of such gain as capital gain or ordinary income will be determined by a number of factors including the tax status of the Holder, the rules regarding "market discount" (as discussed in Section XII.C.6 of this Disclosure Statement, entitled "Market Discount," which begins on Page 81) and accrued but untaxed interest, whether the Claim constitutes a capital asset in the hands of the Holder, and whether and to what extent the Holder had previously claimed a bad debt deduction with respect to its Claim. If recognized gain or loss is capital in nature, it generally would be long-term capital gain if the Holder held its Claim for more than one year at the time of the exchange. The holding period for debt received should begin on the day following the Effective Date. Subject to the rules regarding accrued but untaxed interest, the Holder should obtain a tax

basis in the 1.5 Lien Take-Back Debt equal to the issue price of the debt received as of the date of the exchange. The tax basis of any non-Cash consideration treated as received in satisfaction of accrued but untaxed interest should equal the amount of such accrued but untaxed interest.

If a U.S. Holder of an Allowed Class 3 Claim receives Cash, then the Holder of such Claim will be treated as exchanging such Claim for Cash in a taxable exchange under section 1001 of the Tax Code. Accordingly, subject to the rules regarding accrued but untaxed interest, each Holder of such Claim should recognize gain or loss equal to the difference between (1) Cash received and (2) such Holder's adjusted basis, if any, in such Claim. The character of such gain as capital gain or ordinary income will be determined by a number of factors including the tax status of the Holder, the rules regarding accrued but untaxed interest and market discount, whether the Claim constitutes a capital asset in the hands of the Holder, and whether and to what extent the Holder had previously claimed a bad debt deduction with respect to its Claim. If recognized gain or loss is capital in nature, it generally would be long-term capital gain if the Holder held its Claim for more than one year at the time of the exchange.

**2. U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Class 4 Claims**

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed Class 4 Claim agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of the Class 4 Claim, the U.S. Holder of such Claim shall receive its Pro Rata share of New Common Stock.

If an Allowed Class 4 Claim qualifies as a "security" of EXCO, then the Holder of such Claim should be treated as receiving New Common Stock in a recapitalization. In either case, subject to the rules regarding accrued but untaxed interest, a Holder of such Claim should not recognize gain or loss with respect to the exchange. Such Holder's tax basis in its New Common Stock, apart from amounts allocable to accrued but untaxed interest, should generally equal the Holder's tax basis in the Allowed Class 4 Claim surrendered therefor increased by gain, if any, recognized by such Holder in the transaction. Subject to the rules regarding accrued but untaxed interest, a U.S. Holder's holding period for its interest in the New Common Stock should include the holding period for the exchanged Claim.

To the extent that an Allowed Class 4 Claim does not qualify as a "security" of EXCO, the Holder of such Claim will be treated as exchanging such Claim for such Holder's Pro Rata share of New Common Stock in a taxable exchange under section 1001 of the Tax Code. Accordingly, subject to the rules regarding accrued but untaxed interest, each Holder of such Claim should recognize gain or loss equal to the difference between (1) the fair market value of New Common Stock received and (2) such Holder's adjusted basis, if any, in such Claim. The character of such gain as capital gain or ordinary income will be determined by a number of factors including the tax status of the Holder, the rules regarding accrued but untaxed interest and market discount, whether the Claim constitutes a capital asset in the hands of the Holder, and whether and to what extent the Holder had previously claimed a bad debt deduction with respect to its Claim. If recognized gain or loss is capital in nature, it generally would be long-term capital gain if the Holder held its Claim for more than one year at the time of the exchange. Subject to the rules regarding accrued but untaxed interest, a Holder's tax basis in any New Common Stock received should equal the fair market value of such New Common Stock as of the date such New Common Stock is distributed to the Holder. A Holder's holding period for the New Common Stock received should begin on the day following the date it receives the New Common Stock.

**3. U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Class 5 and Class 6 Claims**

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed Class 5 or Class 6 Claim agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and

discharge of the Class 5 or Class 6 Claim, respectively, the U.S. Holder of such Claim shall receive its Pro Rata share of New Common Stock and Cash.

If an Allowed Class 5 or Class 6 Claim qualifies as a "security" of EXCO, then the Holder of such Claim should be treated as receiving New Common Stock in a recapitalization. Subject to the rules regarding accrued but untaxed interest, a Holder of such Claim should recognize gain, if any, but not loss, to the extent of any Cash received, with the amount of gain equal to the lesser of the Cash received and the difference between (1) the Cash received and the value of the New Common Stock received and (2) such Holder's adjusted basis, if any, in such Claim. Such Holder's tax basis in its New Common Stock, apart from amounts allocable to accrued but untaxed interest, should generally equal the Holder's tax basis in the Allowed Class 5 or Class 6 Claim surrendered therefor increased by gain, if any, recognized by such Holder in the transaction, minus any Cash received. Subject to the rules regarding accrued but untaxed interest, a U.S. Holder's holding period for its interest in the New Common Stock should include the holding period for the exchanged Claim.

To the extent that an Allowed Class 5 or Class 6 Claims does not qualify as a "security" of EXCO, the Holder of such Claim will be treated as exchanging such Claim for such Holder's Pro Rata share of New Common Stock and Cash in a taxable exchange under section 1001 of the Tax Code. Accordingly, subject to the rules regarding accrued but untaxed interest, each Holder of such Claim should recognize gain or loss equal to the difference between (1) the fair market value of New Common Stock and Cash received and (2) such Holder's adjusted basis, if any, in such Claim. The character of such gain as capital gain or ordinary income will be determined by a number of factors including the tax status of the Holder, the rules regarding accrued but untaxed interest and market discount, whether the Claim constitutes a capital asset in the hands of the Holder, and whether and to what extent the Holder had previously claimed a bad debt deduction with respect to its Claim. If recognized gain or loss is capital in nature, it generally would be long-term capital gain if the Holder held its Claim for more than one year at the time of the exchange. Subject to the rules regarding accrued but untaxed interest, a Holder's tax basis in any New Common Stock received should equal the fair market value of such New Common Stock as of the date such New Common Stock is distributed to the Holder. A Holder's holding period for the New Common Stock received should begin on the day following the date it receives the New Common Stock.

#### 4. U.S. Federal Income Tax Consequences to U.S. Holders of Allowed Class 7 Claims

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed Class 7 Claim agrees to a less favorable treatment in exchange for full and final satisfaction, settlement, release and discharge of such Claim, the U.S. Holder of such Claim shall receive its Pro Rata share of New Common Stock and/or Cash.

If an Allowed Class 7 Claim qualifies as a "security" of EXCO and the Holder of such Claim receives at least some New Common Stock, then the Holder of such Claim should be treated as receiving New Common Stock in a recapitalization. In either case, subject to the rules regarding accrued but untaxed interest, a Holder of such Claim should recognize gain, if any, but not loss, to the extent of any Cash received, with the amount of gain equal to the lesser of the Cash received and the difference between (1) the Cash received and the value of the New Common Stock received and (2) such Holder's adjusted basis, if any, in such Claim. Such Holder's tax basis in its New Common Stock, apart from amounts allocable to accrued but untaxed interest, should generally equal the Holder's tax basis in the Allowed Class 7 Claim surrendered therefor increased by gain, if any, recognized by such Holder in the transaction, minus any Cash received. Subject to the rules regarding accrued but untaxed interest, a U.S. Holder's holding period for its interest in the New Common Stock should include the holding period for the exchanged Claim.

To the extent that an Allowed Class 7 Claim does not qualify as a "security" of EXCO or a Holder does not receive any New Common Stock, the Holder of such Claim will be treated as exchanging such Claim for such Holder's Pro Rata share of New Common Stock and/or Cash in a taxable exchange under section 1001 of the Tax Code. Accordingly, subject to the rules regarding accrued but untaxed interest, each Holder of such Claim should recognize gain or loss equal to the difference between (1) the fair market value of New Common Stock and/or Cash received and (2) such Holder's adjusted basis, if any, in such Claim. The character of such gain as capital gain or ordinary income will be determined by a number of factors including the tax status of the Holder, the rules regarding accrued but untaxed interest and market discount, whether the Claim constitutes a capital asset in the hands of the Holder, and whether and to what extent the Holder had previously claimed a bad debt deduction with respect to its Claim. If recognized gain or loss is capital in nature, it generally would be long-term capital gain if the Holder held its Claim for more than one year at the time of the exchange. Subject to the rules regarding accrued but untaxed interest, a Holder's tax basis in any New Common Stock received should equal the fair market value of such New Common Stock as of the date such New Common Stock is distributed to the Holder. A Holder's holding period for the New Common Stock received should begin on the day following the date it receives the New Common Stock.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

**5. Issue Price**

The determination of "issue price" for purposes of the analysis herein will depend, in part, on whether the debt instruments and other property issued to a holder or the property surrendered under the Plan are traded on an "established securities market" at any time during the 60-day period ending thirty (30) days after the Effective Date. In general, a debt instrument (or the stock or securities exchanged therefor) will be treated as traded on an established market if (a) it is listed on (i) a qualifying national securities exchange, (ii) certain qualifying interdealer quotation systems, or (iii) certain qualifying non-U.S. securities exchanges; (b) it appears on a system of general circulation that provides a reasonable basis to determine fair market value; or (c) in certain situations the price quotations are readily available from dealers, brokers or traders. The issue price of a debt instrument that is traded on an established market (or that is issued for stock or securities so traded) would be the fair market value of such debt instrument (or such stock or securities so traded) on the issue date as determined by such trading. The issue price of a debt instrument that is neither so traded nor issued for stock or securities so traded would be its stated principal amount (provided that the interest rate on the debt instrument exceeds the applicable federal rate published by the IRS).

**6. Accrued Interest**

To the extent that any amount received by a U.S. Holder of a Claim is attributable to accrued but untaxed interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the U.S. Holder as ordinary interest income (to the extent not already taken into income by the U.S. Holder). Conversely, a U.S. Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest previously was included in the U.S. Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any. Certain legislative history indicates that an allocation of

consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS could take the position that the consideration received by the Holder should be allocated in some way other than as provided in the Plan. U.S. Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

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

**7. Market Discount**

Under the "market discount" provisions of the Tax Code, some or all of any gain realized by a U.S. Holder of a Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its Holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (b) in the case of a debt instrument issued with original issue discount, its adjusted issue price, by at least a de minimis amount (equal to 0.25 percent of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a U.S. Holder on the taxable disposition of an Allowed Claim (determined as described above) that was acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claim was considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a tax-free transaction for other property, any market discount that accrued on the Allowed Claims (i.e., up to the time of the exchange) but was not recognized by the U.S. Holder is carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption, or other disposition of the property is treated as ordinary income to the extent of the accrued, but not recognized, market discount.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE MARKET DISCOUNT RULES TO THEIR CLAIMS.

**8. Limitation on Use of Capital Losses**

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

### 9. U.S. Federal Income Tax Consequences to Holders of Owning and Disposing of Shares of New Common Stock

#### (a) Dividends on New Common Stock

Any distributions made on account of the New Common Stock will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of the Reorganized Debtors as determined under U.S. federal income tax principles. "Qualified dividend income" received by an individual U.S. Holder is subject to preferential tax rates. To the extent that a U.S. Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the U.S. Holder's basis in its shares. Any such distributions in excess of the Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain. Dividends paid to U.S. Holders that are corporations generally will be eligible for the dividends-received deduction, subject to applicable restrictions, so long as there are sufficient earnings and profits.

#### (b) Sale, Redemption, or Repurchase of New Common Stock

Unless a non-recognition provision applies, U.S. Holders generally will recognize capital gain or loss upon the sale, redemption, or other taxable disposition of New Common Stock. Such capital gain will be long-term capital gain if at the time of the sale, exchange, retirement, or other taxable disposition, the U.S. Holder held the New Common Stock for more than one year. Long-term capital gains of an individual taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations as described below.

### 10. U.S. Federal Income Tax Consequences to Holders of Owning and Disposing of 1.5 Lien Take-Back Debt

#### (a) Cash Interest

Any interest paid in Cash on the 1.5 Lien Take-Back Debt will be includable by a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with such holder's regular method of accounting for U.S. federal income tax purposes.

#### (b) Original Issue Discount

A debt instrument that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued with OID equal to the amount of such difference unless the debt instrument satisfies a de minimis threshold (as described below). As described in more detail below, a U.S. Holder is generally required to include OID in gross income as it accrues, in advance of the receipt of Cash attributable to that income.

If the 1.5 Lien Take-Back Debt is issued with OID, a U.S. Holder would be required to include the OID in gross income as it accrues. However, if the difference between the 1.5 Lien Take-Back Debt's redemption price at maturity and its issue price is less than a de minimis amount (i.e., 1/4 of 1 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity), the 1.5 Lien Take-Back Debt would not be considered to have been issued with OID.

Under the rules governing OID, regardless of a U.S. Holder's method of accounting, a U.S. Holder will be required to accrue its pro rata share of OID on the 1.5 Lien Take-Back Debt on a constant yield basis and include such accruals in gross income, whether or not such U.S. Holder receives a Cash payment of interest on the 1.5 Lien Take-Back Debt on the scheduled interest payment dates.

In general, a U.S. Holder may make an election to treat as OID all interest that accrues on any 1.5 Lien Take-Back Debt (including qualified stated interest, acquisition discount, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium or acquisition premium), and thus include such interest in gross income in accordance with the constant yield method described above. The election is to be made for the taxable year in which a U.S. Holder acquires 1.5 Lien Take-Back Debt, and may not be revoked without the consent of the IRS.

U.S. federal income tax laws enacted in December 2017 added section 451 of the Tax Code. Under this new provision, accrual method U.S. Holders that prepare "applicable financial statement" (as defined in section 451 of the Tax Code) generally would be required to include certain items of income such as OID no later than the time such amounts are reflected on such a financial statement. The application of this rule to income of a debt instrument with OID is effective for taxable years beginning after December 31, 2018. This rule could result in an acceleration of income recognition for income items differing from the below description. Holders should consult their tax advisors with regard to interest, OID, market discount and premium matters concerning the 1.5 Lien Take-Back Debt.

**(c) Acquisition Premium or Amortizable Bond Premium on 1.5 Lien Take-Back Debt**

If, pursuant to the rules described above, a U.S. Holder's initial tax basis in the 1.5 Lien Take-Back Debt is greater than the issue price of such debt but less than the stated principal amount of such debt, such 1.5 Lien Take-Back Debt will have "acquisition premium." Under the acquisition premium rules, the amount of OID that must be included in gross income with respect to the applicable 1.5 Lien Take-Back Debt for any taxable year will be reduced by the portion of the acquisition premium properly allocable to that year. Alternatively, if a U.S. Holder's initial tax basis in 1.5 Lien Take-Back Debt exceeds its stated principal amount, the U.S. Holder will be considered to have acquired the 1.5 Lien Take-Back Debt with "amortizable bond premium" and will not be required to include any OID in income. A U.S. Holder may generally elect to amortize the premium over the remaining term of the 1.5 Lien Take-Back Debt on a constant yield method as an offset to stated interest when includible in income under such holder's regular accounting method. If a U.S. Holder elects to amortize bond premium, such holder must reduce its tax basis in the 1.5 Lien Take-Back Debt by the amount of the premium used to offset stated interest. If a U.S. Holder does not elect to amortize the premium, that premium will decrease the gain or increase the loss otherwise recognized on disposition of the 1.5 Lien Take-Back Debt.

**(d) Market Discount**

If a U.S. Holder acquired 1.5 Lien Take-Back Debt with a market discount (as discussed above) in an exchange that was not a taxable exchange under Section 1001 of the Code (as discussed above), a portion of any accrued market discount inherent in debt exchanged therefore that was not included in income for U.S. federal income tax purposes prior to or as a result of the exchange will carry over to the 1.5 Lien Take-Back Debt that are treated as a security of Reorganized EXCO received in the exchange whether or not such holder's 1.5 Lien Take-Back Debt is deemed to have been acquired with market discount. In addition, the 1.5 Lien Take-Back Debt may be treated as having been acquired with market discount to the extent the adjusted issue price of the 1.5 Lien Take-Back Debt (as discussed above) exceeds the holder's initial tax basis in the 1.5 Lien Take-Back Debt by more than a statutory *de minimis* amount.

Generally, upon any disposition (other than certain non-recognition transactions) of 1.5 Lien Take-Back Debt treated as acquired with market discount, a U.S. Holder will be required to recognize any accrued market discount carried over from debt exchanged for the 1.5 Lien Take-Back Debt, plus any market discount that has accrued on the 1.5 Lien Take-Back Debt, as ordinary income up to the amount of any gain realized on the disposition (to the extent such accrued market discount has not been previously included in income). If the 1.5 Lien Take-Back Debt is not treated as acquired at a market discount but accrued market

discount in respect of the debt exchanged therefore has carried over to the 1.5 Lien Take-Back Debt, upon any disposition (other than certain non-recognition transactions) of the 1.5 Lien Take-Back Debt, any gain recognized will be treated as ordinary income to the extent of such accrued market discount.

Section 451 of the Tax Code (as discussed above) generally would require accrual method U.S. Holders that prepare "applicable financial statement" (as defined in section 451 of the Tax Code) to include certain items of income such as market discount no later than the time such amounts are reflected on such a financial statement. The application of this rule to income of a debt instrument with market discount is effective for taxable years beginning after December 31, 2018. This rule could result in an acceleration of income recognition for income items differing from the below description. Holders should consult their tax advisors with regard to interest, OID, market discount and premium matters concerning the 1.5 Lien Take-Back Debt.

**(e) Sale, Taxable Exchange or Other Taxable Disposition of 1.5 Lien Take-Back Debt**

Upon the disposition of the 1.5 Lien Take-Back Debt by sale, exchange, retirement, redemption or other taxable disposition, a U.S. Holder will generally recognize gain or loss equal to the difference, if any, between (i) the amount realized on the disposition (other than any amounts attributable to accrued but unpaid interest, which will be taxed as ordinary interest income to the extent not previously so taxed) and (ii) the U.S. Holder's adjusted tax basis in the 1.5 Lien Take-Back Debt. A U.S. Holder's adjusted tax basis generally will be equal to the holder's initial tax basis in the 1.5 Lien Take-Back Debt, increased by any accrued OID and market discount previously included in such holder's gross income. Except to the extent of any accrued market discount on the 1.5 Lien Take-Back Debt (or carried over from the debt exchanged therefore), with respect to which any gain will be treated as ordinary income, a U.S. Holder's gain or loss will generally constitute capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in such 1.5 Lien Take-Back Debt exceeds one year at the time of such disposition. Otherwise, such gain or loss will be short-term capital gain or loss. Under current U.S. federal income tax law, certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income tax on long-term capital gains. The deductibility of capital losses is subject to limitations.

**11. Medicare Tax**

Certain U.S. Holders that are individuals, estates, or trusts are required to pay an additional 3.8 percent tax on, among other things, dividends and gains from the sale or other disposition of capital assets. U.S. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of consideration received pursuant to the Plan.

**D. Certain U.S. Federal Income Tax Consequences to Certain Non-U.S. Holders of Claims**

The following discussion includes only certain U.S. federal income tax consequences of the Restructuring Transactions to non-U.S. Holders. The discussion does not include any non-U.S. tax considerations. The rules governing the U.S. federal income tax consequences to non-U.S. Holders are complex. Each non-U.S. Holders should consult its own tax advisor regarding the U.S. federal, state, and local and the foreign tax consequences of the consummation of the Plan to such non-U.S. Holders and the ownership and disposition of the New Common Stock, as applicable.

Whether a non-U.S. Holder realizes gain or loss on the exchange and the amount of such gain or loss is generally determined in the same manner as set forth above in connection with U.S. Holders.

**1. Gain Recognition**

Any gain realized by a non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (i) the non-U.S. Holder is an individual who was present in the United States for 183 days or more during the taxable year in which the Restructuring Transactions occur and certain other conditions are met or (ii) such gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such non-U.S. Holder in the United States).

If the first exception applies, to the extent that any gain is taxable, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the non-U.S. Holder's conduct of a trade or business in the United States in the same manner as a U.S. Holder. In order to claim an exemption from withholding tax, such non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such a non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30 percent (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

**2. Interest Payments; Accrued Interest**

Payments to a non-U.S. Holder that are attributable to (x) interest on (or OID accruals with respect to) debt received under the Plan or (y) accrued but untaxed interest generally will not be subject to U.S. federal income or withholding tax, *provided* that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, IRS Form W-8BEN or W-8BEN-E) establishing that the non-U.S. Holder is not a U.S. person, unless:

(i) the non-U.S. Holder actually or constructively owns 10 percent or more of the total combined voting power of EXCO (in the case of consideration received in respect of accrued but untaxed interest) or Reorganized Debtor obligor (in the case of interest payments with respect to debt received under the Plan);

(ii) the non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to Reorganized Debtors (each, within the meaning of the Tax Code);

(iii) the non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Tax Code; or

(iv) such interest is effectively connected with the conduct by the non-U.S. Holder of a trade or business within the United States (in which case, provided the non-U.S. Holder provides a properly executed IRS Form W-8ECI (or successor form) to the withholding agent, the non-U.S. Holder (x) generally will not be subject to withholding tax, but (y) will be subject to U.S. federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty)).

A non-U.S. Holder that does not qualify for exemption from withholding tax with respect to accrued but untaxed interest that is not effectively connected income generally will be subject to withholding of U.S. federal income tax at a 30 percent rate (or at a reduced rate or exemption from tax under an applicable income tax treaty) on payments that are attributable to (a) interest on debt received under the Plan and (b) accrued but untaxed interest. For purposes of providing a properly executed IRS Form W-8BEN or W-8BEN-E, special procedures are provided under applicable Treasury Regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers' securities in the ordinary course of their trade or business.

**3. U.S. Federal Income Tax Consequences to Non-U.S. Holders of Owning and Disposing of Shares of New Common Stock**

**(a) Dividends on New Common Stock**

Any distributions made with respect to New Common Stock will constitute dividends for U.S. federal income tax purposes to the extent of Reorganized Debtors' current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent that a non-U.S. Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the Holder's basis in its shares. Any such distributions in excess of a non-U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain from a sale or exchange (and the respective excess distributions as proceeds from a sale or exchange; *see* Section XII.D.3(b) of this Disclosure Statement, entitled "Sale, Redemption, or Repurchase of Non-Cash Consideration," which begins on page 86). Except as described below, dividends paid with respect to New Common Stock held by a non-U.S. Holder that are not effectively connected with a non-U.S. Holder's conduct of a U.S. trade or business (or if an income tax treaty applies, are not attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) will be subject to U.S. federal withholding tax at a rate of 30 percent (or lower treaty rate or exemption from tax, if applicable). A non-U.S. Holder generally will be required to satisfy certain IRS certification requirements in order to claim a reduction of or exemption from withholding under a tax treaty by filing IRS Form W-8BEN or W-BEN-E (or a successor form) upon which the non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate or exemption from tax with respect to such payments. Dividends paid with respect to New Common Stock held by a non-U.S. Holder that are effectively connected with a non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, are attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) generally will be subject to U.S. federal income tax in the same manner as a U.S. Holder, and a non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to such non-U.S. Holder's effectively connected earnings and profits that are attributable to the dividends at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty).

To the extent the FIRPTA rules (discussed below) are applicable to any Non-U.S. Holder (and subject to the rules discussed below regarding less-than-5% Holders if the New Common Stock is regularly traded on an established securities market), distributions that are taxable as dividends will be subject to withholding, as described above. However, distributions that are not taxable as dividends but, instead, are treated as a return of capital or gain will be subject to withholding on an amount of 15 percent of the gross amount of any such distribution.

**(b) Sale, Redemption, or Repurchase of Non-Cash Consideration**

A Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to any gain realized on the sale or other taxable disposition (including a Cash redemption) of its Pro Rata share consideration received under the Plan unless:

- such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition or who is subject to special rules applicable to former citizens and residents of the United States;

- such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States); or

- in the case of the sale of New Common Stock, Reorganized Debtors are or have been, during a specified testing period, a "United States real property holding corporation" (a "USRPHC") for U.S. federal income tax purposes.

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. Holder, and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to earnings and profits effectively connected with a U.S. trade or business that are attributable to such gains at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty).

If the third exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax on any gain recognized on the disposition of all or a portion of its New Common Stock under FIRPTA and be required to file U.S. federal income tax returns. Taxable gain from the disposition of an interest in a USRPHC (generally equal to the difference between the amount realized and such Non-U.S. Holder's adjusted tax basis in such interest) will constitute effectively connected income. Further, the buyer of the New Common Stock will be required to withhold a tax equal to 15 percent of the amount realized on the sale. The amount of any such withholding would be allowed as a credit against the Non-U.S. Holder's federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the Non-U.S. Holder properly and timely files a tax return with the IRS. In general, the FIRPTA provisions will not apply if (a) the Non-U.S. Holder does not directly or indirectly own more than 5 percent of the value of such interest during a specified testing period and (b) such interest is regularly traded on an established securities market.

The Debtors expect that the Reorganized Debtors will constitute a USRPHC as of the Effective Date, and thus that the New Common Stock will constitute a United States real property interest, for the period required under the Tax Code. Non-U.S. Holders who may receive or acquire New Common Stock in connection with the Restructuring Transactions are urged to consult a U.S. tax advisor with respect to the U.S. tax consequences applicable to their acquisition, holding, and disposition of such New Common Stock.

**4. FATCA**

Under the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account Holders and

investors or be subject to withholding on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S. source payments of fixed or determinable, annual or periodical income (including dividends, if any, on shares of New Common Stock), and also include gross proceeds from the sale of any property of a type which can produce U.S. source interest or dividends (which would include New Common Stock and 1.5 Lien Take-Back Debt). FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding tax.

As currently proposed, FATCA withholding rules would apply to payments of gross proceeds from the sale or other disposition of property of a type which can produce U.S. source interest or dividends that occurs after December 31, 2018.

Each non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on such non-U.S. Holder.

**E. Information Reporting and Back-Up Withholding**

The Debtors will withhold all amounts required by law to be withheld from payments of interest and dividends. The Debtors will comply with all applicable reporting requirements of the Tax Code. In general, information reporting requirements may apply to distributions or payments made to a Holder of a Claim under the Plan. In addition, backup withholding of taxes will generally apply to payments in respect of an Allowed Claim under the Plan unless, in the case of a U.S. Holder, such U.S. Holder provides a properly executed IRS Form W-9 and, in the case of non-U.S. Holder, such non-U.S. Holder provides a properly executed applicable IRS Form W-8 (or otherwise establishes such Non-U.S. Holder's eligibility for an exemption).

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder's U.S. federal income tax liability, and a Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a federal income tax return).

In addition, from an information reporting perspective, the 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 regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns.

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

## XIII. RECOMMENDATION

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

Dated: [●], 2018

EXCO RESOURCES, INC.
on behalf of itself and all other Debtors

*[Name]*

Tyler S. Farquharson
Chief Financial Officer and Treasurer
EXCO Resources, Inc.

**Exhibit A**

**Plan of Reorganization**

**Exhibit B**

**Corporate Organization Chart**

# EXCO Resources, Inc. Structure Chart

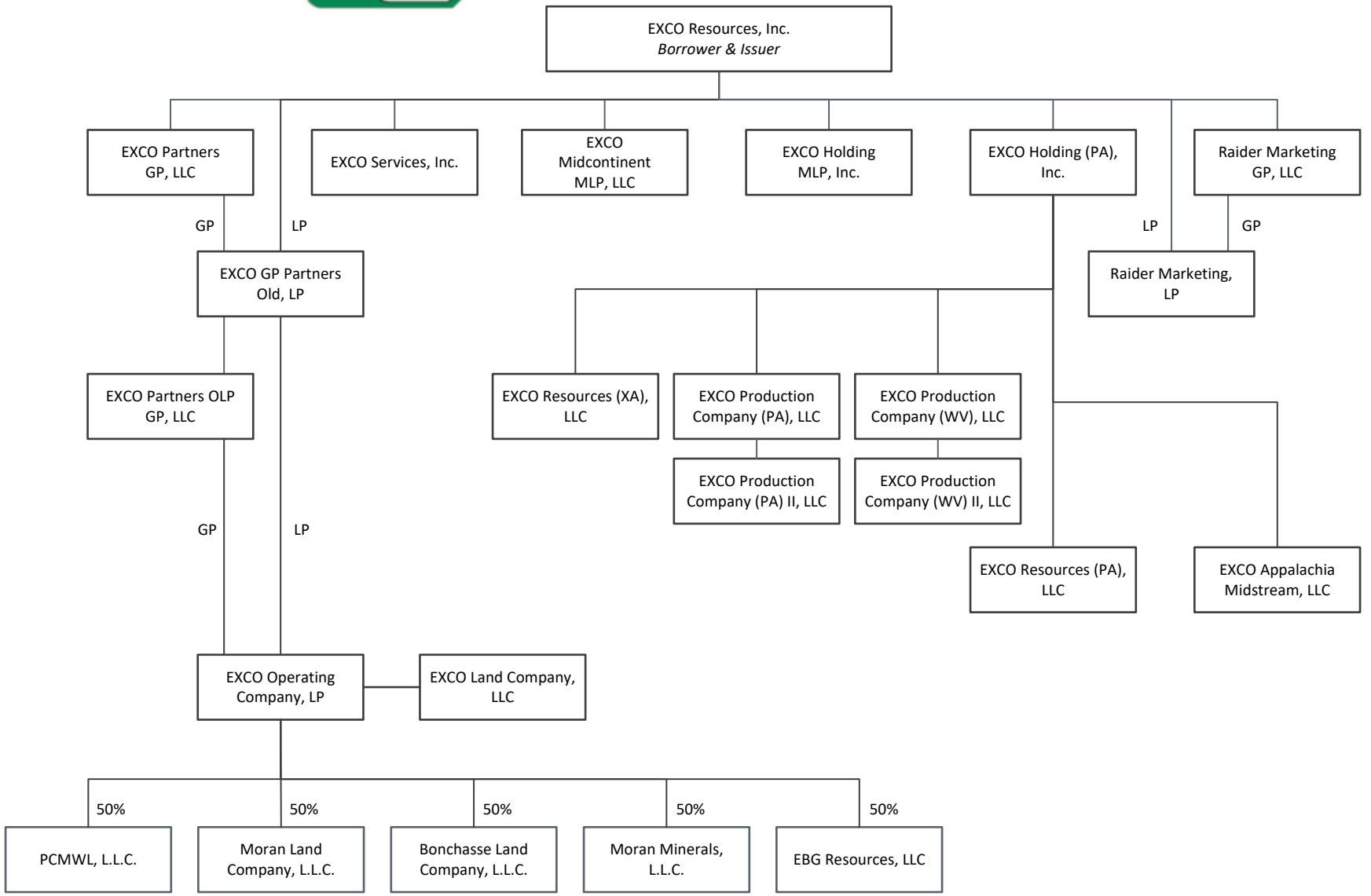

**Exhibit C**

**Disclosure Statement Order**

**Exhibit D**

**Liquidation Analysis**

**Exhibit E**

**Financial Projections**

**Exhibit F**

**Valuation Analysis**