THIS PROPOSED DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. THE PETITIONING CREDITORS RESERVE THE RIGHT TO AMEND OR SUPPLEMENT THIS PROPOSED DISCLOSURE STATEMENT.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
ELETSON HOLDINGS INC., et al.,	:	Case No. 23-10322 (JPM)
Debtors.[1]	:	(Jointly Administered)

DISCLOSURE STATEMENT IN SUPPORT OF PETITIONING CREDITORS' JOINT CHAPTER 11 PLAN OF REORGANIZATION OF ELETSON HOLDINGS INC. AND ITS AFFILIATED DEBTORS

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Dated: March 26, 2024
New York, New York

[1] The Debtors in these cases are: Eletson Holdings Inc., Eletson Finance (US) LLC, and Agathonissos Finance LLC. The address of the Debtors' corporate headquarters is 118 Kolokotroni Street, GR 185 35 Piraeus, Greece. The Debtors' mailing address is c/o Eletson Maritime, Inc., 1 Landmark Square, Suite 424, Stamford, Connecticut 06901.

[2] The "Petitioning Creditors" are Pach Shemen LLC, VR Global Partners, L.P., Alpine Partners (BVI), L.P., Gene B. Goldstein, Gene B. Goldstein, In His Capacity as Trustee of the Gene B. Goldstein and Francine T. Goldstein Family Trust, Mark Millet, In His Capacity as Trustee of the Mark E. Millet Living Trust, Mark Millet, In His Capacity as Trustee of the Millet 2016 Irrevocable Trust, Robert Latter, Tracy Lee Gustafson, Jason Chamness, and Ron Pike.

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THE PLAN PROPONENTS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS IN THE VOTING CLASSES FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PETITIONING CREDITORS' JOINT CHAPTER 11 PLAN OF REORGANIZATION OF ELETSON HOLDINGS INC. AND ITS AFFILIATED DEBTORS. 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 (AS DEFINED HEREIN), 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.

ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT (INCLUDING EXHIBITS) AND THE PLAN IN THEIR ENTIRETY AND ARE ADVISED 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.

FACTUAL INFORMATION CONTAINED IN THIS SPECIFIC DISCLOSURE STATEMENT IS SOURCED FROM PUBLIC FILINGS MADE IN THE CHAPTER 11 CASES (AND ELSEWHERE), EXCEPT WHERE OTHERWISE NOTED. IN PARTICULAR, SOME INFORMATION IN THIS DISCLOSURE STATEMENT WAS OBTAINED FROM THE DEBTORS' PLEADINGS, SUCH AS THE DEBTORS' DISCLOSURE STATEMENT, SCHEDULES OF ASSETS AND LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS, AND MONTHLY OPERATING REPORTS AND MAY NOT BE RELIED UPON AS ACCURATE. THE PLAN PROPONENTS MAKE NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OF THE INFORMATION, INCLUDING FINANCIAL INFORMATION, CONTAINED HEREIN OR ATTACHED HERETO. THE PLAN PROPONENTS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FINANCIAL OR FORWARD-LOOKING STATEMENTS CONTAINED HEREIN.

NO INDEPENDENT AUDITOR OR INDEPENDENT ACCOUNTANT HAS REVIEWED OR APPROVED THE LIQUIDATION ANALYSIS OR FINANCIAL INFORMATION PROVIDED OR REFERENCED HEREIN. THE PLAN PROPONENTS HAVE NOT AUTHORIZED ANY PERSON TO GIVE ANY INFORMATION OR ADVICE, OR TO MAKE ANY REPRESENTATION, IN CONNECTION WITH THE PLAN OR THIS DISCLOSURE STATEMENT.

PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT WITH RESPECT TO THE PLAN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ATTACHED TO THE PLAN, AND ANY PLAN SUPPLEMENT(S). IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT

AND THE TERMS AND PROVISIONS OF THE PLAN OR THE OTHER DOCUMENTS AND FINANCIAL INFORMATION INCORPORATED IN THIS DISCLOSURE STATEMENT BY REFERENCE, THE PLAN OR THE OTHER DOCUMENTS AND FINANCIAL INFORMATION, AS THE CASE MAY BE, SHALL GOVERN FOR ALL PURPOSES.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAVE BEEN MADE 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. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT ASSUME AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE OF THIS DISCLOSURE STATEMENT. THE PLAN PROPONENTS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

THIS DISCLOSURE STATEMENT WILL NOT CONSTITUTE NOR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING, NOR WILL IT BE CONSTRUED AS TO CONSTITUTE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS IT RELATES TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS.

CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY THEIR NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE," OR "CONTINUE," OR THE NEGATIVE THEREOF, OTHER VARIATIONS THEREON, OR COMPARABLE TERMINOLOGY AND INCLUDE THE LIQUIDATION ANALYSIS, FINANCIAL PROJECTIONS, AND VALUATION OF REORGANIZED HOLDINGS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED HEREIN.

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THE SECURITIES DESCRIBED IN THIS DISCLOSURE STATEMENT TO BE ISSUED PURSUANT TO THE PLAN WILL BE ISSUED WITHOUT REGISTRATION UNDER THE SECURITIES ACT, AS AMENDED, OR ANY SIMILAR FEDERAL, STATE, OR LOCAL LAW, GENERALLY IN RELIANCE ON THE EXEMPTIONS SET FORTH IN SECTION 1145 OF THE BANKRUPTCY CODE AND SECTION 4(A)(2) OF THE SECURITIES ACT OF 1933 (AS AMENDED, THE "SECURITIES ACT") OR REGULATION D OR REGULATION S PROMULGATED THEREUNDER, AS APPLICABLE.

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THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES COMMISSION OR SIMILAR PUBLIC, GOVERNMENTAL, OR REGULATORY AUTHORITY. THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED FOR APPROVAL WITH THE SEC OR ANY STATE AUTHORITY AND NEITHER THE SEC NOR ANY STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE

UNITED STATES.

NEITHER THE SOLICITATION NOR THIS DISCLOSURE STATEMENT CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY STATE OR JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

I. EXECUTIVE SUMMARY

A. Introduction

On March 7, 2023 (the "Petition Date"), Pach Shemen LLC ("Pach Shemen"), VR Global Partners, L.P. ("VR Global"), and Alpine Partners (BVI) L.P (collectively, the "Initial Petitioning Creditors") commenced chapter 7 cases against Eletson Holdings Inc. ("Eletson Holdings"), Eletson Finance (US) LLC ("Eletson Finance") and Agathonissos Finance LLC ("Eletson MI" and, together with Eletson Holdings and Eletson Finance, the "Debtors") by filing involuntary petitions (the "Involuntary Petitions") pursuant to section 303 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court" or the "Court"). The Involuntary Petitions were later joined by, among others, Gene Goldstein, Gene Goldstein in his capacity as Trustee of the Gene B. Goldstein and Francine T. Goldstein Family Trust (the "Goldstein Family Trust"), Tracy Gustafson, Jason Chamness, Ron Pike, Mark Millet, in his capacity as Trustee of the Millet 2016 Irrevocable Trust (the "Millet 2016 Trust"), Mark Millet, in his capacity as Trustee of the Mark E. Millet Living Trust (the "Millet Living Trust"), and Robert Latter (collectively, the "Joining Creditors" and, together with the Initial Petitioning Creditors, the "Petitioning Creditors" or the "Plan Proponents"). The Involuntary Petitions were also joined by NAF and the 2022 Notes Trustee (each as defined below). *See* Docket Nos. 92 and 102.

By order of the Bankruptcy Court, on September 25, 2023 (the "Conversion Date"), the Debtors' cases were voluntarily converted, at the Debtors' request, to cases under chapter 11 of the Bankruptcy Code (these "Chapter 11 Cases"). The Plan Proponents submit this Disclosure Statement to all Holders of Claims against the Debtors entitled to vote on the *Petitioning Creditors' Joint Chapter 11 Plan of Reorganization of Eletson Holdings Inc. and its Affiliated Debtors*, a copy of which is attached hereto as **Appendix A** (as may be amended, supplemented, or otherwise modified from time to time, the "Plan").[3]

The purpose of this Disclosure Statement is to provide Holders of Claims entitled to vote on the Plan with adequate information to make an informed judgment as to whether to vote to accept or reject the Plan. The Plan Proponents are providing you with the information in this Disclosure Statement because you may be a creditor entitled to vote on the Plan. This Disclosure Statement is to be used solely in connection with evaluation of the Plan and not for any other purposes.

[3] Capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to such terms in the Plan.

To be counted, your ballot must be duly completed, executed, and actually received by 5:00 p.m. (prevailing Eastern Time) on [_____] [__], 2024 (the "Voting Deadline"). Ballots may be delivered either (a) electronically to the following email address: [_____], or (b) by delivering a paper copy to the Plan Proponents' counsel at the following address: Togut, Segal & Segal LLP, One Penn Plaza, Suite 3335, New York, New York 10119, Attn: Kyle J. Ortiz, Esq., Bryan M. Kotliar, Esq. and Leila Ebrahimi, Esq.

As explained in greater detail below, the Plan Proponents believe that the Plan is in the best interests of creditors and other stakeholders and is a fair means of moving these Chapter 11 Cases toward efficient resolution. All creditors entitled to vote on the Plan are urged to vote in favor of it.

B. Material Terms of the Plan

After years of the Debtors' avoiding their contractual obligations to their creditors, the Plan proposed by the Plan Proponents—certain Petitioning Creditors that filed and/or joined the Involuntary Petitions—finally restructures the Debtors and provides material returns to creditors consistent with their rights under the Bankruptcy Code and applicable law. The Plan provides a viable pathway for the Debtors to expeditiously emerge from these Chapter 11 Cases [and is supported by their major creditors and constituents].

The Debtors require significant new capital investment to: (i) pay the administrative costs and other expenses associated with these Chapter 11 Cases; (ii) fund distributions to creditors consistent with the Plan, and (iii) fund the costs and expenses of reorganized Eletson Holdings ("Reorganized Holdings"), including, but not limited to ordinary course business expenditures and the fees and expenses of pursuing the Retained Causes of Action preserved under the Plan. The Plan provides for the funding of these amounts through a Rights Offering (as defined below) made available to certain creditors that is fully backstopped by Pach Shemen (in such capacity, the "Backstop Party").

For the convenience of Holders of Claims entitled to vote on the Plan, an overview of the Plan is set forth below. Parties entitled to vote on the Plan should review this Disclosure Statement, the Plan and the other solicitation materials approved by the Bankruptcy Court prior to casting a vote on the Plan and making any elections with respect to the Rights Offering (as defined below).

- The Plan will be funded pursuant to a $[27] million (the "Rights Offering Amount") equity rights offering (the "Rights Offering") that will provide Eligible Holders of Allowed General Unsecured Claims (including, but not limited to, 2022 Notes Claims and Old Notes Claims, but excluding Convenience Claims) and Allowed Corp. Guaranty Claims (collectively, the "Equity /Cash Option Claims") with subscription rights (the "Rights Offering Subscription Rights"), to purchase up to [68]% of the equity in Reorganized Holdings (the "Reorganized Equity") at a price that represents an implied [50]% discount to a stipulated plan equity value of up to $[25.0] million.

- The Rights Offering Amount is fully committed and backstopped by the Backstop Party, pursuant to a backstop commitment letter agreement (the "Backstop Agreement"). The Backstop Agreement provides for, among other things, the Backstop Party's commitment and obligation to purchase any Rights Offering Subscription Rights that are not purchased by Eligible Holders in connection with the Rights Offering. In exchange, the Backstop Party will receive, among other things, a backstop commitment premium equal to [10%] of the

Reorganized Equity (the "Backstop Premium").[4]

- Eligible Holders that do not wish to participate in the Rights Offering will have the option to receive their Pro Rata Share of a $[12.5] million pool of cash (referred to as the "GUC Cash Pool"). Non-Eligible Holders that are unable to participate in the Rights Offering will also receive their Pro Rata Share of the GUC Cash Pool.

- Holders of Allowed General Unsecured Claims with a face amount of $200,000 or less (or Holders of Allowed General Unsecured Claims that voluntarily elect to reduce their Claim amount to $200,000) will be treated as Convenience Claims (Class 4) and will receive payment of such Claim in Cash in an amount equal to 10% of the face amount of such Holder's Allowed Convenience Claim; *provided that*, if the aggregate distributions to Holders of Allowed Convenience Claims exceeds $1,000,000 (the "Convenience Claim Cap"), then Holders of such Claims shall receive their Pro Rata Share of the Convenience Claim Cap in Cash.

- The proceeds of the Rights Offering will be used to fund (i) the costs of consummation of the Plan, including, but not limited to, payments required to be made pursuant to the Plan including payment of administrative and priority claims; (ii) funding of the GUC Cash Pool; and (iii) the costs and expenses of Reorganized Holdings, including, but not limited to, ordinary course business expenditures and the fees and expenses of pursuing the Retained Causes of Action preserved under the Plan.[5]

- The Plan provides for the issuance of 100% of the Reorganized Equity to Eligible Holders of Allowed Equity / Cash Option Claims, subject to dilution on account of Reorganized Equity issued on account of the Rights Offering, the Backstop Premium, and an employee incentive plan for eligible employees of the Debtors' non-Debtor subsidiaries to be adopted and implemented by the new board of Reorganized Holdings (the "EIP"). Holders of Allowed Equity / Cash Option Claims may elect to receive, and non-Eligible Holders will be required to receive, their Pro Rata Share of Cash from the GUC Cash Pool.

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[4] The Backstop Agreement will be negotiated and filed with the Bankruptcy Court at a later date, but prior to any Bankruptcy Court approved solicitation of the Plan.

[5] The Plan does not provide for the release of any claims by the Debtors or their estates, or by any third parties (other than the Azure Claims Settlement solely with respect to the Azure Guaranty Claims in Class 5). The Plan provides for usual and customary exculpation for the Plan Proponents, the Creditors' Committee (as defined below, and its members), and their respective Related Parties.

- Pursuant to the Plan, Eletson Finance and Eletson MI will be dissolved on the Effective Date of the Plan, and the Plan will be administered through Reorganized Holdings.

The following provides some illustrative hypothetical examples of what various Holders of Allowed General Unsecured Claims will recover under the Plan:

Example 1: A Holder of the Old Notes Claims or 2022 Notes Claim in the amount of $175,000 will be treated in the Convenience Claims Class and receive a recovery equal to 10% of its Allowed Claim amount or $17,500; *provided* that if more than $10,000,000 in Claims elect treatment pursuant to the Convenience Claims Class, such Holder will receive its Pro Rata Share of $1,000,000.

Example 2: A Holder of the Old Notes Claims or 2022 Notes Claim in the amount of $300,000 may choose either (a) to voluntarily reduce its Allowed Claim to $200,000 and be treated in the Convenience Claims Class (in which case it will receive $20,000 or its Pro Rata Share of the $1,000,000 as described in Example 1) or (b) treatment as a General Unsecured Claim in Class 3 (in which case it will have the option to receive either (i) its Pro Rata Share of the GUC Cash Pool (approximately $10,416.67) or (ii) its Pro Rata Share of up to 32% of the Reorganized Equity (subject to dilution) *plus* it will receive the right to participate in the Rights Offering and purchase its Pro Rata Share of up to 68% of the Reorganized Equity at a price that represents an implied [50]% discount to a stipulated plan equity value of up to $[25.0] million).[6]

Example 3: A Holder of the 2022 Notes Claims in the amount of $20,000,000 may choose either (a) to voluntarily reduce its Allowed Claim to $200,000 and be treated in the Convenience Claims Class (in which case it will receive $20,000) or (b) be treated as a General Unsecured Claim in Class 3 (in which case it will have the option to receive either (i) its Pro Rata Share of the GUC Cash Pool (approximately $684,444.44) or (ii) its Pro Rata Share of up to 32% of the Reorganized Equity (subject to dilution) *plus* it will receive the right to participate in the Rights Offering and purchase its Pro Rata Share of up to 68% of the Reorganized Equity at a price that represents an implied [50]% discount to a stipulated plan equity value of up to $[25.0] million).

Please Note: Holders of the Reorganized Equity after the Effective Date will benefit from the recovery, if any, on account of Retained Causes of Action preserved under the Plan. The Plan Proponents believe that the Plan adequately capitalizes Reorganized Holdings, including Reorganized Holdings' ordinary course business operations in accordance with the Plan, and the fees and expenses of pursuing the Retained Causes of Action. However, recoveries, if any, on account of the Retained Causes of Action are highly uncertain and involve various costs and risks. If the pursuit of the Retained Causes of Action requires additional liquidity in the future, Reorganized Holdings may pursue various capital raising activities, including, but not

[6] Solely for illustrative purposes, these examples use a total amount of Equity/Cash Option Claims of $360 million. The actual figures are subject to change based on the Allowed amounts of Equity/Cash Option Claims.

limited to, certain transactions that may be dilutive to Holders of the Reorganized Equity.

If the Plan is not consummated, there can be no assurance that these Chapter 11 Cases will not be converted to a Chapter 7 liquidation. In a Chapter 7 liquidation, any distributions to creditors would be significantly delayed and reduced because of, among other things, the fees and expenses incurred in a liquidation under Chapter 7 of the Bankruptcy Code and the timeline for the liquidation of the Debtors' assets and distributions to creditors. Accordingly, if the Plan is not consummated, it is likely that creditors would realize lower recoveries on account of their allowed Claims than they would have otherwise received under the Plan.

Accordingly, the Plan Proponents believe that the treatment of Holders of Claims in the Impaired Classes of Claims eligible to vote will receive a greater recovery for such Holders than would be available in a Chapter 7 liquidation or any alternative currently proposed plan, including the plan proposed by the Debtors (the "Debtors' Plan"). Accordingly, the Plan Proponents believe that the Plan is in the best interests of Holders of Claims.

Thus, for the reasons discussed in this Disclosure Statement, the Plan Proponents urge you to return your Ballot accepting the Plan by the Voting Deadline.

II. OVERVIEW OF THE DEBTORS

A. Summary of the Eletson Business

1. *Corporate Organization*

The Debtors are Eletson Holdings and its wholly owned subsidiaries Eletson Finance, and Eletson MI. The Debtors are part of a collection of companies that operate under the name "Eletson." The Debtors' corporate organization chart as of the Petition Date is attached hereto as **Appendix B**, which also depicts certain direct and indirect non-Debtor subsidiaries described below.

Eletson has historically been a family-owned international seaborne transportation company focused on the transport of refined petroleum products, liquified petroleum gas and ammonia. Eletson owns and operates a fleet of medium-range double hull product tankers, which are capable of carrying a wide range of refined petroleum products, such as fuel oil and vacuum gas oil and gas oil, gasoline, jet fuel, kerosene and naphtha, as well as crude oil. The Debtors are headquartered in Piraeus, Greece and maintain offices all over the world, including Stamford, Connecticut, and London.

Eletson Holdings is the ultimate parent of the Eletson entities. Eletson operates its fleet through wholly-owned direct or indirect non-Debtor subsidiaries of Eletson Holdings who either (i) own title to the vessels comprising Eletson's fleet or (ii) charter the vessels of Eletson's fleet. The Eletson fleet is managed by non-Debtor subsidiary Eletson Corporation ("Eletson Corp"), another wholly owned subsidiary of Eletson Holdings. Eletson Corp is subject to management agreements with the various

entities in exchange for management fees. The Eletson fleet currently includes 16 vessels, 12 of which are owned by Eletson Gas LLC ("Eletson Gas") and four of which are operated by wholly owned subsidiaries of Eletson Holdings.[7] *See* Docket No. 394 ¶ 12; *see also* Docket No. 394 ¶¶ 12-14. In addition to Eletson Corp and the various entities that directly own or charter and operate the vessels in Eletson's fleet, there are several defunct corporate entities with no operations within the Eletson corporate structure. Eletson Holdings serves as the guarantor for a number of its subsidiaries' obligations as described in greater detail herein. Each of the Debtors are holding companies and do not maintain any ongoing operations or employ any employees outside of their officers and directors.

Eletson is closely held, controlled, and managed by three families: the Kertsikoff, Hadjieleftheriadis, and Karastamati families (the "Principal Families"). Each of those families beneficially hold approximately 30.7% of the equity in Eletson Holdings through separate Liberian trust companies. The remaining equity is beneficially held by two other families: the Zilakos and Andreoulakis families (the "Minority Families"). The three Principal Families and two Minority Families (collectively, the "Families") are all related. In addition to beneficially owning Eletson Holdings, members of the Families are also the directors and officers of Eletson Holdings and of its various subsidiaries, including Eletson Corp and Eletson Gas.

2. Eletson Gas and the Arbitration

Eletson Gas is a gas shipping company that was formed in 2013 as a joint venture between Eletson Holdings and funds managed by Blackstone Tactical Opportunities (collectively, "Blackstone"). Eletson Holdings holds 100% of the common shares of Eletson Gas. According to the Debtors, at the beginning of 2022, Eletson Gas directly or indirectly owned 14 liquefied petroleum gas carriers, collectively worth more than $400 million. Eletson Gas reported total revenues in 2022 of approximately $115 million.

Eletson Gas is organized as a limited liability company with common and preferred membership interests (the "Preferred Shares"). Holders of the Preferred Shares are entitled to distributions from the revenues of Eletson Gas before holders of the common shares of Eletson Gas (the "Common Shares"). Until November 2021, Blackstone held the Preferred Shares. Eletson Holdings held and still holds the Common Shares. In 2021, Blackstone sold its interest in Eletson Gas to Levona Ltd. ("Levona"), making Levona the holder of the Preferred Shares. Subsequently, on February 22, 2022, Levona entered into a "binding offer letter" with Eletson Gas (the "BOL"), which gave Eletson Gas the option, upon the satisfaction of certain conditions, for Eletson Gas or its nominee to purchase the Preferred Shares from Levona for specified consideration (the "Option").

A dispute arose as to whether Eletson Gas had exercised the Option, and accordingly, on July 29, 2022, Eletson Holdings and Eletson Corp commenced an

[7] "Owned" for these purposes means through finance leases or bareboat charters.

arbitration proceeding against Levona seeking a ruling that Eletson Gas had exercised its Option as well as damages from Levona (the "Arbitration").

On March 13, 2023, after the Petition Date, the Debtors filed a motion for relief from the automatic stay [Docket Nos. 5, 6], seeking leave to proceed with the Arbitration (the "Stay Relief Motion"). On April 17, 2023, the Bankruptcy Court entered a stipulation and order modifying the automatic stay to permit Eletson Holdings and Eletson Corp to pursue the Arbitration to determine the ownership of Preferred Shares [Docket No. 48] (the "Stay Relief Order"). Notably, the Stay Relief Motion did not disclose that the Preferred Shares had purportedly already been transferred to the Cypriot nominees (the "Nominees") that are owned by the Principal Families. Indeed, the Stay Relief Motion provided that if the Debtors (or any other party) prevailed in the Arbitration the Preferred Shares would be "returned to [Eleston] Gas or its nominee." Docket No. 6, at 4.

On July 28, 2023, the arbitrator entered an interim award, which was superseded by a final award (the "Award") on September 29, 2023. The Award found that Eletson Gas had exercised the Option to acquire the Preferred Shares by transferring shares in two vessels owned by Eletson Gas to Levona. The Award further found that the Preferred Shares were transferred to the Nominees on March 11, 2022. The Award also assessed almost $87 million in damages against Levona, plus fees, costs, and interest. None of those damages were awarded to Eletson Holdings. Instead, about half was awarded to the Nominees.

On August 18, 2023, Eletson Holdings and Eletson Corp filed a petition in the United States District Court for the Southern District of New York (the "District Court") to confirm the Award. Among the findings they asked the District Court to approve is that the Preferred Shares were transferred to the Nominees. They also asked the District Court to approve the Award of compensatory and punitive damages in favor of Eletson Gas and the Nominees.

On February 9, 2024, the District Court issued an opinion (the "District Court Opinion") that among other things, granted in part and denied in part Eletson Holdings' and Eletson Corp's petition to confirm the Award. The District Court confirmed the Award's finding that the Preferred Shares were transferred to the Nominees. However, the District Court Opinion provides that the Bankruptcy Court is the proper forum to "address the timing of the election by Eletson that the Preferred [Shares] should go to the Nominees and whether the Preferred [Shares] should be considered to be property of the estate or should be clawed back or avoided." District Court Opinion, at 89. The District Court Opinion vacated all awards for relief against the Petitioning Creditors, including compensatory and punitive damages based upon violations of the Status Quo Injunction (as defined in the District Court Opinion), all awards of attorneys' fees, costs, and expenses related to the Involuntary Petitions and the Bondholder Litigation (as defined in the District Court Opinion). *Id.* at 124-25. In accordance with the District Court Opinion, Eletson Holdings, Eletson Corp, and Levona each submitted proposed judgments on February 23, 2024. *See* District Court Docket Nos. 94 and 95.

B. The Debtors' Assets

On October 10, 2023, the Debtors filed their schedules of assets and liabilities and statements of financial affairs [Docket Nos. 216-221] (together, the "Original Schedules"). The Original Schedules disclosed that the Debtors have no cash and the Debtors' only assets are equity interests in various subsidiaries and certain Litigation Claims (as defined below). The Original Schedules listed the value of the equity in each of the Debtors' subsidiaries as "$0."

On December 29, 2023, the Debtors filed an amended schedule A/B for Eletson Holdings [Docket Nos. 340] (the "Amended Schedules" and together, with the Original Schedules, the "Schedules"), disclosing an aggregate equity value of the Debtors' subsidiaries of $52.5 million. The Amended Schedules state that the $52.5 million valuation is based on "market value." At the section 341 meeting of the Debtors and their creditors held on January 5, 2024, however, the Debtors' Vice President stated that the $52.5 million number in the Amended Schedules was "book value" and that the actual value remains "unknown."

The Debtors' Schedules also identify certain Litigation Claims belonging to the Debtors' Estates, though the Schedules fail to identify these actions with specificity. Indeed, the Schedules merely state that the Debtors have "Claims against Wilmington Savings Fund Society, FSB", "Claims against Petitioning Creditors for Bad Faith Conduct," "potential Claims against various parties related to or arising from the Arbitration Award", and lastly, claims against Murchinson Ltd., Nomis Bay Ltd., and BPY Limited in these Bankruptcy Cases (collectively, the "Litigation Claims"). Further, the Debtors' Schedules do not state the nature of the Debtors' interest in the Litigation Claims.

C. The Debtors' Liabilities

The Debtors' liabilities, based on the Debtors' books and records are set forth in their Schedules and the Debtors' Plan (as defined below). The Debtors' liabilities based on their prepetition capital structure can generally be summarized as (1) the Old Notes, (2) the 2022 Notes, (3) the OCM Guarantees, (4) the Azure Guarantees, (5) the Eletson Corp Guarantees, (6) the Initial Petitioning Creditors' Claims, and (7) Other Claims and Liabilities (each of which is defined and explained in greater detail below).

1. *The Old Notes*

In December 2013, Debtors Eletson Holdings and Eletson Finance co-issued First Preferred Ship Mortgage Notes (the "Old Notes" and the holders thereof, the "Old Noteholders") under an indenture dated December 19, 2013, in the aggregate principal amount of $300 million (the "Old Indenture"). Deutsche Bank Trust Company Americas (the "Old Notes Trustee") serves as the trustee for the Old Notes. The Old Notes had a maturity date of January 15, 2022.

In May 2018, Eletson Finance and Eletson Holdings initiated an exchange offer process for the Old Notes (the "2018 Note Exchange"), which closed in July 2018. Pursuant to the 2018 Note Exchange, approximately 98% of the Old Noteholders exchanged their Old Notes for the 2022 Notes (as defined below); approximately 2% of the Old Noteholders did not participate in the 2018 Note Exchange and retained their Old Notes.

The Debtors' Schedules list the Old Notes Trustee as having a disputed unsecured Claim against Eletson Finance for approximately $24,000. *See* Docket No. 220. However, the Old Notes Trustee filed a Proof of Claim against Eletson Holdings pursuant to the Old Notes for $5,953,704.07 for the unpaid principal amount of $300 million plus applicable interest, fees, and other charges. *See* Proof of Claim No. 2-1 against Eletson Holdings.

2. *The 2022 Notes*

On July 2, 2018, the Debtors entered into an indenture (the "2022 Indenture") pursuant to which the substantial majority of the Old Notes were exchanged for new First Preferred Ship Mortgage Notes due on January 15, 2022 (the "2022 Notes" and the holders thereof, the "2022 Noteholders"). The 2022 Notes were issued in an original face value amount of $314,068,360. Under the 2022 Indenture, Wilmington Savings Fund Society, FSB (the "2022 Notes Trustee") serves as trustee and collateral agent for the 2022 Notes. The 2022 Notes were secured by certain assets pledged as collateral (collectively, the "Collateral"), including, among other things: (i) all outstanding common shares or membership interests in Eletson Finance and certain guarantors under the 2022 Indenture; (ii) thirteen shipping vessels owned by guarantors under the 2022 Indenture (the "Note Vessels"); (iii) the earnings arising from freights, hires and other earnings from the operation and use of or relating to the Note Vessels, and (iv) all other cash and various accounts of Eletson MI and the guarantors set forth in the 2022 Indenture.

The Debtors concede that they breached their obligations under the 2022 Indenture long ago and, in fact, have "made no direct payments" under that contract, at any time. *See* Docket No. 41 ¶¶ 17, 64.

On June 24, 2019, in connection with their various breaches under the 2022 Indenture, the Debtors entered into a Restructuring Support Agreement (the "First RSA") with certain noteholders (the "Consenting Noteholders") including VR Global. As part of the First RSA and a consensual strict foreclosure executed in connection therewith, the Debtors transferred their interests in the 13 vessels that served as part of the Collateral for the 2022 Notes to a new entity called New Agathonissos Finance ("NAF") for the benefit of the 2022 Noteholders in partial satisfaction of amounts owed under the 2022 Indenture and the 2022 Notes in the amount of $130 million. On August 9, 2019, the Consenting Noteholders terminated the First RSA.

On October 29, 2019, after the termination of the First RSA, the Debtors and the Consenting Noteholders entered into a second Restructuring Support

Agreement (the "Second RSA").[8] The purpose of the Second RSA was to accomplish an alternative restructuring of the Old Notes and the 2022 Notes on the terms and conditions set forth therein and in a restructuring term sheet attached as an Exhibit to the Second RSA. That restructuring was to be effectuated through an out-of-court consent solicitation and exchange offer or through a joint prepackaged plan of reorganization in chapter 11 cases to be filed by the Debtors in the United States.

Under the Second RSA, the Debtors agreed to implement the restructuring contemplated therein on a timeline with milestones set forth in Exhibit C to the Second RSA. The timeline included twelve (12) separate milestones, starting with the entry into a memorandum of agreement, in form and substance acceptable to Eletson and the Consenting Noteholders, with respect to the sale of Eletson's interest in a particular vessel—the Salamina—as soon as reasonably practicable but in no event later than October 31, 2019. The Debtors also agreed under the Second RSA that any proceeds from the sale of the Salamina after payment of applicable professional fees would be paid pro rata to the Old Noteholders, the 2022 Noteholders, and claims arising under certain "Working Capital Facility Agreements" outstanding at the time.

As the Debtors have acknowledged themselves, they never satisfied a single milestone under the Second RSA, in material breach of the Second RSA's requirement (and fundamental purpose) that the Debtors would effectuate the contemplated restructuring within several months. As the Debtors acknowledged in discovery during the pendency of the Involuntary Petitions, the parties to the Second RSA decided to go in a different path and abandoned the milestones. In addition, certain of the Consenting Noteholders told the Debtors in January 2020 that the Second RSA was "dead."[9]

Despite entering into the First RSA and the Second RSA, the Debtors never actually attempted to restructure the 2022 Notes or the Old Notes in connection therewith (or after). Instead, the Debtors did nothing and allowed the Old Notes and the 2022 Notes to mature without repayment on January 15, 2022, resulting in approximately $100 million in additional interest accruing on the 2022 Notes between the execution of the Second RSA in October 2019 and the filing of the Involuntary Petitions in March 2023.

Each of the Debtors' Schedules list the 2022 Notes Trustee as having a disputed unsecured Claim against each of the Debtors for approximately $320,195,000. *See* Docket Nos. 216, 218, 220. However, the 2022 Notes Trustee filed a Proof of Claim against each of the Debtors pursuant to the 2022 Indenture and the 2022 Notes for approximately $366,011,815 for the unpaid principal amount of $194,862,074 plus applicable interest, fees, and other charges. *See* Proof of Claim No. 14 against Eletson Holdings; Proof of Claim No. 2 against Eletson MI; and Proof of Claim No. 2-2 against

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[8] The Debtors did not inform the 2022 Notes Trustee of their entry into the Second RSA despite their contractual obligation under the 2022 Indenture to do so.

[9] *Declaration of Joshua Nemser In Support of (A) Involuntary Petitions and (B) Petitioning Creditors' Objection to the Debtors' Motion to Dismiss* [Docket No. 128] filed on July 18, 2023 ¶ 14.

Eletson Finance. The 2022 Notes Trustee also filed a Proof of Claim against each of the Debtors pursuant to the 2022 Indenture and the 2022 Notes for fees and expenses in the amount of $1,872,764.44. *See* Proof of Claim No. 20 against Eletson Holdings; Proof of Claim No. 3 against Eletson MI; and Proof of Claim No. 3 against Eletson Finance.

3. *The OCM Guarantees*

Four subsidiaries directly or indirectly owned by Eletson Holdings are each party to bareboat charter agreements regarding the use of certain vessels owned by entities affiliated or associated with Oaktree Capital Management. Each of these vessels are described in greater detail below. The Petitioning Creditors understand that the $0 to $52.5 million figures from the Debtors' Amended Schedules are largely on account of these four bareboat charter arrangements.

Kinaros Charter. On June 24, 2020, OCM Maritime Rhine LLC ("OCM Rhine") entered into a bareboat charter agreement ("Kinaros Charter") with non-Debtor Kinaros Special Maritime Enterprise for the use of a vessel owned by OCM Rhine named the Kinaros. Pursuant to the Kinaros Charter, Kinaros Special Maritime Enterprise was obligated to make payments to OCM Rhine related to the charter of the Kinaros. The obligations were guaranteed by Eletson Holdings pursuant to that certain guarantee executed by Eletson Holdings in favor of OCM Rhine dated June 24, 2020 (the "Kinaros Guaranty"). Pursuant to the Kinaros Guaranty, Eletson Holdings guaranteed the full payment for all amounts due under the Kinaros Charter. According to the Debtors' Schedules, OCM Rhine has a disputed unsecured Claim against Debtor Eletson Holdings for $11,750,000. *See* Docket No. 216. According to OCM Rhine's Proof of Claim, as of the Conversion Date, the principal balance outstanding under the Kinaros Charter is $11,750,000 with outstanding payment-in-kind interest obligations of $217,417. *See* Proof of Claim No. 5-1 ¶ 9. As of the Conversion Date, OCM Rhine has not declared any event of default under the Kinaros Charter, however, the Chapter 11 Cases constitute a default under the Kinaros Guaranty.

Kimolos Charter. On June 24, 2020, OCM Maritime Yukon LLC ("OCM Yukon") entered into a bareboat charter agreement ("Kimolos Charter") with non-Debtor Kimolos II Special Maritime Enterprise for the use of a vessel owned by OCM Thames named the Kimolos. Pursuant to the Kimolos Charter, Kimolos II Special Maritime Enterprise was obligated to make payments to OCM Yukon related to the charter of the Kimolos. The obligations were guaranteed by Eletson Holdings pursuant to that certain guaranty executed by Eletson Holdings in favor of OCM Yukon dated June 24, 2020 (the "Kimolos Guaranty"). Pursuant to the Kimolos Guaranty, Eletson Holdings guaranteed the full payment for all amounts due under the Kimolos Charter. According to the Debtors' Schedules, OCM Yukon has a disputed unsecured Claim against Debtor Eletson Holdings for $12,450,000. *See* Docket No. 216. According to OCM Yukon's Proof of Claim, as of the Conversion Date, the principal balance outstanding under the Kimolos Charter is $12,450,000 with outstanding payment-in-kind interest obligations of $203,922. *See* Proof of Claim No. 6-1 ¶ 9. As of the Conversion Date, OCM Yukon has not declared any event of default under the Kimolos Charter, however, the Chapter 11 Cases constitute a default under the Kimolos Guaranty.

Fourni Charter. On June 24, 2020, OCM Maritime Autumn LLC ("OCM Autumn") entered into a bareboat charter agreement ("Fourni Charter") with non-Debtor Fourni Special Maritime Enterprise for the use of a vessel owned by OCM Autumn named the Fourni. Pursuant to the Fourni Charter, Fourni Special Maritime Enterprise was obligated to make payments to OCM Autumn related to the charter of the Fourni. The obligations were guaranteed by Eletson Holdings pursuant to that certain guaranty executed by Eletson Holdings in favor of OCM Autumn dated June 24, 2020 (the "Fourni Guaranty"). Pursuant to the Fourni Guaranty, Eletson Holdings guaranteed the full payment for all amounts due under the Fourni Charter. According to the Debtors' Schedules, OCM Autumn has a disputed unsecured Claim against Debtor Eletson Holdings for $12,450,000. *See* Docket No. 216. According to OCM Autumn's Proof of Claim, as of the Conversion Date, the principal balance outstanding under the Fourni Charter is $12,450,000 with outstanding payment-in-kind interest obligations of $229,239. *See* Proof of Claim No. 7-1 ¶ 9. As of the Conversion Date, OCM Autumn has not declared any event of default under the Fourni Charter, however, the Chapter 11 Cases constitute a default under the Fourni Guaranty.

Kastos Charter. On June 24, 2020, OCM Maritime Thames LLC ("OCM Thames") entered into a bareboat charter agreement ("Kastos Charter") with non-Debtor Kastos Special Maritime Enterprise for the use of a vessel owned by OCM Thames named the Kastos. Pursuant to the Kastos Charter, Kastos Special Maritime Enterprise was obligated to make payments to OCM Thames related to the charter of the Kastos. The obligations were guaranteed by Eletson Holdings pursuant to that certain guaranty executed by Eletson Holdings in favor of OCM Thames dated June 24, 2020 (the "Kastos Guaranty"). Pursuant to the Kastos Guaranty, Eletson Holdings guaranteed the full payment for all amounts due under the Kastos Charter. According to the Debtors' Schedules, OCM Thames has a disputed unsecured Claim against Debtor Eletson Holdings for $12,450,000. *See* Docket No. 216. According to OCM Thames' Proof of Claim, as of the Conversion Date, the principal balance outstanding under the Kastos Charter is $12,450,000 with outstanding payment-in-kind interest obligations of $229,239. *See* Proof of Claim No. 8-1 ¶ 9. As of the Conversion Date, OCM Thames has not declared any event of default under the Kastos Charter, however, the Chapter 11 Cases constitute a default under the Kastos Guaranty.

The Debtors' Schedules list OCM Autumn, OCM Yukon, and OCM Thames as each having a disputed unsecured Claim against Debtor Eletson Holdings for $12,450,000, and OCM Rhine as having a disputed unsecured Claim for $11,750,000 (collectively, the "OCM Guaranty Claimants"). *See* Docket No. 216. As described above, although the OCM Guaranty Claimants have not declared an event of default under their respective charter agreements, each of the OCM Guaranty Claimants filed protective Proofs of Claims against Eletson Holdings for amounts owed by Eletson Holdings arising from and in connection with the bareboat charter agreements explained above. *See* Proof of Claim Nos. 5-8.

4. *The Azure Guarantees*

On August 24, 2017, Azure Nova Spring Co., Azure Nova Summer Co., Azure Nova Autumn Co., and Azure Nova Winter Co. (collectively, "Azure" or the "Azure Claimants") entered into bareboat charter agreements (collectively, the

"Charters") with non-Debtors Antikeros Special Maritime Enterprise, Dhonoussa Special Maritime Enterprise, Polyaigos Special Maritime Enterprise and Strofades Special Maritime Enterprise (collectively, the "Azure Charterers") respectively, for the use and operation of vessels owned by Azure named the Antikeros, Dhonoussa, Polyaigos, and Strofades, respectively (collectively, the "Azure Vessels").

Pursuant to the Charters, the Azure Charterers were obligated to make payments to Azure related to the charter of the Azure Vessels. The obligations were guaranteed by Eletson Holdings and Eletson Corp pursuant to those certain guarantees executed by Eletson Holdings and Eletson Corp in favor of each Azure entity dated August 24, 2017 (collectively, the "Azure Guarantees"). Pursuant to the Azure Guarantees, Eletson Holdings guaranteed the full payment for all amounts due under the Charters. As security for Eletson Holdings' obligations under the Azure Guarantees, Eletson Holdings executed a share pledge agreement in favor of each Azure entity pursuant to which the equity of the respective Azure Charterer was placed as collateral to secure the obligations under the applicable Charter.

In March 2021, the Charters were terminated and the Azure Vessels were repossessed. As a result of this termination and repossession, two arbitrations were commenced by Azure, one against the Charterers seeking a determination of any amounts owed to Azure because of the termination of the Charters and repossession of the Azure Vessels and a second against Eletson Holdings for any obligations arising from the Azure Guarantees which are asserted by Azure to be in an amount of no less than $94,799,702. Eletson Holdings disputes that defaults have occurred, or that obligations exist under the respective Azure Guarantees.

The Debtors' Schedules list the Azure Claimants as each having disputed unsecured Claims against Eletson Holdings for $12,000,000. *See* Docket No. 216. Each of the Azure Claimants filed a separate Proof of Claim against Eletson Holdings, each asserting an unsecured Claim against Eletson Holdings for $94,799,702.40 in connection with the Charters. *See* Proof of Claim Nos. 9-12.

5. *The Eletson Corp Guarantees*

Non-Debtor Eletson Corp is the operational and technical management entity for various Eletson entities (including various of Eletson Holdings' non-Debtor subsidiaries). As Eletson Corp's parent entity, Eletson Holdings guaranteed certain obligations of Eletson Corp on a number of its unsecured obligations owed towards various banking entities in Greece, including Aegean Baltic Bank S.A., Alpha Bank S.A., and Piraeus Bank A.E.

The Debtors' Schedules list Aegean Baltic Bank S.A. as having a disputed unsecured Claim against Eletson Holdings for $4,000,019. *See* Docket No. 216. The Schedules list Piraeus Bank A.E. as having a disputed unsecured Claim against Eletson Holdings for $16,326,319. *See id*. Alpha Bank S.A. is also listed as having a disputed unsecured Claim against Eletson Holdings for $4,302,823. *See id.*

Aegean Baltic Bank S.A. filed a Proof of Claim against Eletson Holdings for $6,335,665.08 pursuant to a Eletson Corp guarantee for the unpaid principal of

$5,555,514.40 plus applicable interest, fees, and other charges. *See* Proof of Claim No. 4. Hermes Acquisitions B DAC Serviced by Cepal Hellas also filed a Proof of Claim pursuant to a Eletson Corp guarantee for claims purchased from Alpha Bank S.A., totaling $4,302,198.44. *See* Proof of Claim No. 16. Lastly, Sunrise I NPL Finance DAC also filed a Proof of Claim against Eletson Holdings pursuant to a Eletson Corp guarantee for claims purchased from Piraeus Bank A.E., totaling $23,402,504.90. *See* Proof of Claim No. 22. The Sunrise I NPL Finance DAC Proof of Claim asserts a secured claim in the amount of $7,000,000 and an unsecured claim in the amount of $16,402,504.90. *See id.*[10]

6. *Initial Petitioning Creditors' Claims*

Each of the Initial Petitioning Creditors filed protective Proofs of Claims against each of the Debtors in the amounts of $2,234,807.36, $357,567.10, and $2,431.10, respectively, pursuant to the *Second Application of the Petitioning Creditors Pursuant to Section 503(b)(3)(A) and 503(b)(4) of the Bankruptcy Code, for Allowance of Professional Fees*, filed on December 18, 2023 [Docket No. 322]. *See* Proofs of Claims Nos. 17-19 against Eletson Holdings; Proofs of Claims Nos. 4-6 against Eletson MI; and Proofs of Claims Nos. 4-6 against Eletson Finance.

7. *Other Claims and Liabilities*

The Debtors have other outstanding Claims from amounts owed to creditors prior to the Petition Date. Such amounts include, among other things, prepetition Claims by certain individual Old Noteholders (the "Individual Old Noteholder Claims"), NAF (the "NAF Claims") Levona (the "Levona Claim"), and other miscellaneous scheduled claims (the "Miscellaneous Scheduled Claims"). The Individual Old Noteholder Claims, NAF Claims, Levona Claim, and the Miscellaneous Scheduled Claims are explained in more detail below.

(a) The Individual Old Noteholder Claims

The Individual Old Noteholder Claims consist of the following and were not listed on the Schedules as Claims against any of the Debtors:

- Proof of Claim filed by Tracy Lee Gustafson against Eletson Holdings for bonds purchased in connection with the Old Notes totaling $117,978. *See* Proof of Claim No. 1;

- Proof of Claim filed by TR I/XII/W J. Fleishmnn/Dorette against Eletson Holdings for bonds purchased in connection with the Old Notes totaling $107,864.51. *See* Proof of Claim No. 3; and

[10] Proof of Claim No. 22 is based on three facility agreements, one of which included a first priority "prenotation of mortgage under articles 1274 et seq. of the Greek Civil Code, over an office property…in the amount of up to seven million Euro…the property is estimated to be worth approximately that amount." Proof of Claim No. 22 at 5.

- Proof of Claim filed by Middle East Shipping Agencies Overseas, Ltd. against Eletson Holdings for bonds purchased in connection with the Old Notes totaling $257,750 plus applicable interest, fees, and other charges. *See* Proof of Claim No. 15.

(b) NAF Claims

The NAF Claims consist of unsecured Claims against each of the Debtors for approximately $5,155,522. *See* Proof of Claim No. 13 against Eletson Holdings; Proof of Claim No. 1 against Eletson MI; and Proof of Claim No. 1 against Eletson Finance. The NAF Claims are based on amounts owed under the Old Notes and the Old Notes Trustee's fees and professional fees that the Old Notes Trustee had paid on behalf of the Debtors. *Id.* The Eletson Holdings Schedule lists the NAF Claim as a disputed unsecured Claim for $5,155,522 and separately, as a disputed unsecured Claim for $24,000 on the Eletson Finance Schedule. *See* Docket Nos. 216, 220.

(c) Levona Claim

The Levona Claim consists of an unsecured Claim for damages in connection with the facts related to the Arbitration and these Chapter 11 Cases, totaling $262,500,000, filed against Eletson Holdings. *See* Proof of Claim No. 21.

(d) Miscellaneous Scheduled Claims

Eletson MI's Schedules list Regus Management Group LLC as having a Claim against Eletson MI for $"741,70" in connection with an office lease. *See* Docket No. 218. Eletson Finance's Schedules list Thompson Hine LLP as having a Claim against Eletson Finance for $8,225 in connection with the provision of services. *See* Docket No. 220.

III. THE BANKRUPTCY CASES

A. The Involuntary Petitions and Related Cases

On the Petition Date, the Initial Petitioning Creditors filed the Involuntary Petitions against each of the Debtors. They were later joined by 11 additional petitioning creditors, including the 2022 Notes Trustee.[11] *See* Docket No. 102.

On April 14, the Debtors moved to dismiss the Involuntary Petitions [Docket No. 40], which was later supplemented at various points in response to

[11] The full list of creditors that filed the Involuntary Petitions and/or joined them are: Pach Shemen LLC, VR Global Partners, L.P., Alpine Partners (BVI), L.P., Gene B. Goldstein, Gene B. Goldstein, In His Capacity as Trustee of the Gene B. Goldstein and Francine T. Goldstein Family Trust, Mark Millet, In His Capacity as Trustee of the Mark E. Millet Living Trust, Mark Millet, In His Capacity as Trustee of the Millet 2016 Irrevocable Trust, Robert Latter, Tracy Lee Gustafson, Jason Chamness, Ron Pike, and NAF. Watson Farley & Williams LLP and Paleokrassas & Partners Law Firm (trading as Watson Farley & Williams Greece) (together, "WFW") former counsel to the Debtors, joined the Involuntary Petitions [Docket No. 61] but later withdrew after the Debtors paid WFW an undisclosed amount [Docket No. 101].

additional creditors that filed joinders to the Involuntary Petitions [Docket Nos. 70, 108, 121, 122] (as supplemented, the "Motion to Dismiss"). Over the next few months, the Debtors and their creditors engaged in months of litigation, including discovery and related motion practice, resulting in millions of dollars in administrative expenses by the Debtors and fees and expenses incurred by their creditors in pursuing their contractual rights to repayment from the Debtors.

Prior to the hearing on the Motion to Dismiss, upon the request of the Debtors, the Petitioning Creditors and the 2022 Notes Trustee, the Bankruptcy Court entered the *Order Appointing Hon. Allan L. Gropper (Ret.) as Mediator* [Docket No. 148] directing the parties towards a non-binding mediation (the "Initial Mediation") to address the issues surrounding the Motion to Dismiss. The Initial Mediation did not lead to any resolution. Just one day prior to the hearing on the Motion to Dismiss, the Debtors, the Petitioning Creditors, and the 2022 Notes Trustee entered into a stipulation which was read into the record on September 6, 2023 (the "Conversion Stipulation"). Pursuant to the Conversion Stipulation, the Debtors agreed to withdraw their Motion to Dismiss and voluntarily convert the pending Chapter 7 cases to cases under Chapter 11, and the Petitioning Creditors agreed not to object to the voluntary conversion. In addition, pursuant to the Conversion Stipulation, the Debtors, the 2022 Notes Trustee, and the Petitioning Creditors agreed to, among other things, the following: (i) the Petitioning Creditors and the 2022 Notes Trustee would not file a motion to appoint an examiner, trustee, or limit exclusivity during the first 120 days of the Chapter 11 Cases; (ii) the Debtors agreed to withdraw adversary proceeding Case No. 23-1132 related to the filing of the Involuntary Petitions, without prejudice, and agreed not to reinitiate such a proceeding for the longer of four months or the end of the confirmation and vacatur proceedings concerning the Award; (iii) the Debtors' and Petitioning Creditors' professionals agreed not object to other professionals seeking retention as estate professionals; (iv) the Debtors' agreed not to object to a substantial contribution motion brought by the Petitioning Creditors seeking up to $1.5 million, with the express agreement that the Petitioning Creditors could seek additional amounts exceeding that sum; and (v) the Petitioning Creditors agreed not to object to or assert rights of recovery against the pre-petition fees sought by the Debtors' counsel of up to $2 million. *See* Sept. 6, Tr. at 9. Finally, the Conversion Stipulation was entered into without prejudice to all causes of action, claims, or defenses that the parties might thereafter assert, including, without limitation, the Debtors' rights to object to claims brought in the Chapter 11 Cases. *Id.*

On September 13, 2023, the Debtors filed a motion to convert the Chapter 7 cases [Docket No. 201], to which the Petitioning Creditors responded that a motion was unnecessary, and the cases should be converted immediately [Docket No. 203]. Following a hearing held on September 20, 2023, on September 25, 2023 the Bankruptcy Court entered an order converting the Chapter 7 cases to cases under Chapter 11 of the Bankruptcy Code [Docket No. 215] (the "Conversion Order").

B. Events in the Chapter 11 Cases

Since the entry of the Conversion Order, the Debtors have done nothing to advance these Chapter 11 Cases and the bare minimum (or at times, even less) to fulfill their obligations as debtors and debtors in possession under the Bankruptcy Code.

Indeed, the Debtors failed to file any customary first day motions. The limited filings made by the Debtors, as well as certain other material events in these Chapter 11 Cases, are described in greater detail below.

1. *Appointment of Creditors' Committee*

On October 20, 2023, the Office of the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed an official committee of unsecured creditors [Docket No. 233] (the "Creditors' Committee"). The Creditors' Committee is comprised of the following creditors: (a) Gene B. Goldstein, (b) Aegean Baltic Bank S.A., and (c) the 2022 Notes Trustee. The Old Notes Trustee serves as an *ex officio* member.

2. *Estate Professionals*

Pursuant to orders of the Bankruptcy Court, the Debtors and the Creditors' Committee have retained certain professionals pursuant to sections 327 and 328 of the Bankruptcy Code (collectively, the "Estate Professionals"). The Debtors' only Estate Professional is Reed Smith LLP, as counsel [Docket Nos. 235 and 350]; the Creditors' Committee's Estate Professionals are (a) Dechert LLP, as counsel [Docket Nos. 273 and 351] and (b) FTI Consulting, Inc., as financial advisor [Docket Nos. 349 and 375].

By order dated February 7, 2024 [Docket No. 398] (the "Interim Comp Order"), the Bankruptcy Court established procedures for the Debtors' payment of certain of the fees and expenses of the Estate Professionals during the pendency of these Chapter 11 Cases, including pursuant to the filing of monthly fee statements and periodic interim fee applications. As of the date hereof, the following monthly fee statements have been filed:

- *First Monthly Fee Statement of Dechert LLP for the Period From October 25, 2023 Through November 30, 2023* [Docket No. 399] ("Dechert's First Fee Statement") seeking reimbursement of fees and expenses totaling $ 743,688.18;

- *Second Monthly Fee Statement of Dechert LLP for the Period From December 1, 2023 Through December 31, 2023* [Docket No. 400] ("Dechert's Second Fee Statement") seeking reimbursement of fees and expenses totaling $586,096.76;

- *Third Monthly Fee Statement of Dechert LLP for the Period From January 1, 2024 Through January 31, 2024* [Docket No. 433] ("Dechert's Third Fee Statement") seeking reimbursement of fees and expenses totaling $628,770.91;

- *Fourth Monthly Fee Statement of Dechert LLP for the Period From February 1, 2024 Through February 29, 2024* [Docket No. 529] ("Dechert's Fourth Fee Statement") seeking reimbursement of fees and expenses totaling $776,042.06;

- *First Monthly Fee Statement of FTI Consulting, Inc. for the Period From December 8, 2023 Through December 31, 2023* [Docket No. 401] ("FTI's First Fee Statement") seeking reimbursement of fees and expenses totaling $233,115.77;

- *Second Monthly Fee Statement of FTI Consulting, Inc. for the Period From January 1, 2024 Through January 31, 2024* [Docket No. 434] ("FTI's Second Fee Statement") seeking reimbursement of fees and expenses totaling $600,417.73; and

- *Third Monthly Fee Statement of FTI Consulting, Inc., for the Period From February 1, 2024 Through February 29, 2024* [Docket No. 530] ("FTI's Third Fee Statement") seeking reimbursement of fees and expenses totaling $334,953.94.

As of the date hereof, the Debtors filed objections to Dechert's First Fee Statement, Dechert's Second Fee Statement, Dechert's Third Fee Statement, FTI's First Fee Statement, and FTI's Second Fee Statement. *See* Docket Nos. 431, 432, 464, 465.

Pursuant to the Interim Comp Order, as of the date hereof, the following interim fee applications have been filed:

- *First Interim Fee Application for Dechert LLP for the Period from October 25, 2023 Through December 31, 2023* [Docket No. 417] ("Dechert's First Interim Fee Application") seeking interim allowance of fees and expenses totaling $1,329,784.94;

- *First Interim Fee Application of FTI Consulting, Inc. for the Period From December 8, 2023 Through December 31, 2023* [Docket No. 418] ("FTI's First Interim Fee Application") seeking interim allowance of fees and expenses totaling $233,115.77; and

- *First Interim Fee Application of Reed Smith LLP, Counsel to the Debtors for the Period From September 25, 2023 Through December 31, 2023* [Docket No. 444] ("Reed Smith's First Interim Fee Application") seeking interim allowance and payment of fees and expenses totaling $2,527,171.78.

As of the date hereof, the Debtors objected to Dechert's First Interim Fee Application and to FTI's First Interim Fee Application. *See* Docket Nos. 485 and 486. On March 14, 2024, the Petitioning Creditors and the Creditors' Committee objected to Reed Smith's First Interim Fee Application. *See* Docket Nos. 484 and 487. On March 18, 2024, the U.S. Trustee objected to Dechert's First Interim Fee Application and to FTI's First Interim Fee Application. *See* Docket No. 492.

Dechert's First Interim Fee Application, FTI's First Interim Fee Application, and Reed Smith's First Interim Fee Application are currently scheduled to be heard on April 16, 2024. *See* Docket No. 497.

3. *Issues with the Debtors' Reporting Obligations*

(a) Schedules and Statements

Although the Conversion Date occurred on September 25, 2023, the Debtors failed to make any filings until October 10, 2023, when the Debtors filed the Original Schedules. *See* Docket Nos. 216-221. The Original Schedules were bereft of any detail, listing, for example, 73 subsidiaries each valued at $0, as well as the unvalued Litigation Claims against certain of the Petitioning Creditors. *See* Docket Nos. 2016 at 10-11 and 217 at 1-4, 11-27. It was not until December 29, 2023, over two months later—after the U.S. Trustee, the Creditors' Committee, and the Petitioning Creditors questioned those disclosures—that the Debtors filed the Amended Schedules, reducing the number of their disclosed subsidiaries to 60, but increasing the aggregate equity value in such subsidiaries from $0 to $52.5 million. *See* Docket No. 340 at 9-11.

(b) 2015.3 Reports

The Debtors did not file any Rule 2015.3 Reports (the "2015.3 Reports") until November 20, 2023, which was weeks late, and did so for only ten of their subsidiaries. *See* Docket No. 271.[12] Further, the Debtors initially failed to disclose a 2015.3 Report for Eletson Gas and, only after the U.S. Trustee demanded the Debtors do so, the Debtors filed a 2015.3 Report for Eletson Gas on November 30, 2023. *See* Docket No. 284 at 3. The Debtors did not file 2015.3 Reports for the remaining dozens of other subsidiaries until December 29, 2023. *See* Docket No. 341.

(c) Monthly Operating Reports

The Debtors have filed their monthly operating reports for the periods ending 9/30/2023, 10/31/2023, 11/30/2023, 12/31/2023, and 1/31/2024. [Docket Nos. 268-270, 276-277, 280, 325-327, and 427-429] (the "Monthly Operating Reports"). The Monthly Operating Reports fail to disclose intercompany balances. Certain of the Monthly Operating Reports also contain various inaccuracies, including stating that the Debtors had not retained counsel (which they had, *see supra* B.2) and that the Debtors had not filed a chapter 11 plan or disclosure statement (which they had at the time, *see infra* C.1).

The Debtors' Monthly Operating Reports also state that the Debtors are not in compliance with their obligations to pay quarterly U.S. Trustee fees pursuant to 28 U.S.C. § 1930.

4. *The Bar Date and Claims Process*

(a) Bar Date and Claims

By order dated November 9, 2023 [Docket No. 264] (the "Bar Date Order"), the Bankruptcy Court established December 18, 2023 at 4:00 p.m. (prevailing

[12] Bankruptcy Rule 2015.3 requires, among other things, that the Debtors file "periodic financial reports of the value, operations, and profitability of each entity that is not a publicly traded corporation or a debtor in a case under title 11, and in which the estate holders a substantial or controlling interest." Bankruptcy Rule 2015.3(a).

Eastern Time) as the general bar date (the "General Bar Date") and March 25, 2024 at 4:00 p.m. (prevailing Eastern Time) as the governmental bar date (the "Governmental Bar Date").

As of the General Bar Date, approximately thirty-six (36) Proofs of Claims were filed against the Debtors. [After adjustments for duplicative Claims and other adjustments the anticipated allowed claims in these Chapter 11 Cases may range from approximately $[•] to $[1,057,811,382.56].]

(b) Claims Objections

On January 28, 2024, the Debtors filed several objections and omnibus objections to Proofs of Claims (collectively, the "Claims Objections"). Specifically, the Debtors objected to the Proofs of Claims filed by the Initial Petitioning Creditors [Docket No. 377], Levona [Docket No. 378], NAF [Docket No. 379], and the 2022 Notes Trustee [Docket No. 380], as well as an omnibus objection to claims filed by the Individual Old Noteholders and the Old Notes Trustee, arguing that they are duplicative of the master Proofs of Claims filed by the Old Notes Trustee [Docket No. 327].

At the Debtors' request, on February 12, 2024, the Bankruptcy Court approved an adjournment of all briefing and hearing dates and deadlines with respect to the Claims Objections pending further discussion at the February 27 Status Conference (as defined below). *See* Docket No. 405 (the "Adjournment Order"). The Bankruptcy Court did not schedule the Claims Objections for a trial at the February 27 Status Conference, but at the March 6 Status Conference (as defined below), the Bankruptcy Court scheduled the Claims Objections and the Debtors' Solicitation Motion (as defined below) for a three-day trial set to begin on May 8, 2024 (the "May 8 Trial").

5. *The Motions for Appointment of a Chapter 11 Trustee*

(a) The UCC Trustee Motion

On February 6, 2024, the Creditors' Committee filed a motion for the appointment of a chapter 11 trustee [Docket No. 394] (the "UCC Trustee Motion"), which was joined by: (i) the Old Notes Trustee on February 12, 2024 [Docket No. 404]; and (ii) the Petitioning Creditors on March 12, 2024 [Docket No. 477]. On March 12, 2024, Intrum Hellas Societe Anonyme Management of Receivables from Loans and Credits as the servicing claims manager for SUNRISE I NPL FINANCE DAC, filed a statement in support of the UCC Trustee Motion [Docket No. 476]. The UCC Trustee Motion argues that appointment of a trustee is necessary because the Debtors are incapable of discharging their fiduciary duties, as evidenced by the Debtors' proposed transfer of the Preferred Shares to the Nominees, which is a "textbook fraudulent conveyance." *See* Docket No. 394 ¶ 61. The UCC Trustee Motion further argues that appointment of a trustee is necessary because (i) the Debtors have no independent governance or management, (ii) the Debtors are transferring money outside of the reach of the Debtors' creditors and to insiders, (iii) the Debtors' have continuously failed to disclose material and relevant information to their creditors and the Bankruptcy Court, and (iv) the Debtors' Plan is unconfirmable. *See id.* at 13-27.

Pursuant to the Adjournment Order, the Bankruptcy Court adjourned all briefing and hearing dates and deadlines with respect to the UCC Trustee Motion pending further discussion at the February 27 Status Conference. At the February 27 Status Conference, the Bankruptcy Court scheduled the UCC Trustee Motion, among others, for a three-day trial set to begin on April 9, 2024 (the "April 9 Trial"), and directed the parties to submit a Scheduling Order (as defined below). On March 22, 2024, the Debtors filed an omnibus objection to the Petitioning Creditors' Trustee Motion (as defined below) and the UCC Trustee Motion [Docket No. 513] (the "Omnibus Objection"). On March 22, 2024, the Nominees also filed an omnibus objection to the UCC Trustee Motion, the UST Trustee Motion (as defined below), and the Petitioning Creditors' Trustee Motion [Docket No. 518] (the "Nominees' Omnibus Objection").

(b) The UST Trustee Motion

On February 16, 2024, the U.S. Trustee filed a second motion for the appointment of a chapter 11 trustee [Docket No. 424] (the "UST Trustee Motion"), which was joined by the Petitioning Creditors on March 12, 2024 [Docket No. 477]. In general, the UST Trustee Motion asserts that appointment of a trustee is a "recognition that the acrimony between the parties has mired this case in attacks and allegations instead of progress towards reorganization." *Id.* Thus, the U.S. Trustee argues, "[t]he appointment of an independent fiduciary to move this case forward in a fair and transparent manner is in the best interest of these estates and all parties in interest." *Id.* at 2-3. The UST Trustee Motion also notes that the Debtors have no operating assets—just ownership of equity interests in subsidiaries and potential causes of action—such that the "practical reasons" why a debtor should remain in possession are not present due to its lack of operations. *Id.* at 2.

At the February 27 Status Conference, the Bankruptcy Court scheduled the UST Trustee Motion for the April 9 Trial. In accordance with the Scheduling Order, on March 22, 2024, the Debtors filed an objection to the UST Trustee Motion and the Nominees filed the Nominees' Omnibus Objection. *See* Docket Nos. 512 and 518.

(c) Petitioning Creditors' Emergency Trustee Motion

On March 11, 2024, the Petitioning Creditors filed the *Petitioning Creditors' Emergency Motion to Appoint a Trustee* [Docket No. 468] (the "Petitioning Creditors' Trustee Motion" and, together with the UCC Trustee Motion, and the UST Trustee Motion, the "Trustee Motions"), which is also scheduled to be heard at the April 9 Trial. *See* Docket Nos. 480 and 481. On March 22, 2024, the Debtors filed the Omnibus Objection and the Nominees filed the Nominees' Omnibus Objection. *See* Docket Nos. 513 and 518.

In general, the Petitioning Creditors' Trustee Motion asserts, among other things, that the Debtors' violation of the Interim Comp Order is a separate and independent basis for "cause" to appoint a trustee, and the Bankruptcy Court should appoint a trustee if the Bankruptcy Court denies the DIP Motion (as defined below).

6. *DIP Financing*

At the February 27 Status Conference, counsel to the Creditors' Committee raised the issue that the Debtors had not paid the undisputed portion of the Creditors' Committee's professionals' fees (the "Outstanding Fees"). After further discussion at the February 27 Status Conference, the Bankruptcy Court directed the parties to provide an update to the Bankruptcy Court by February 29, 2024. On February 29, 2024, the Debtors filed a letter [Docket No. 443] stating that the Debtors intended to pursue Bankruptcy Court approval for a debtor-in-possession financing loan with undisclosed terms as of that time from a non-Debtor subsidiary, Eletson Gas, to pay the Outstanding Fees.

At the March 6 Status Conference, the parties discussed the foregoing fee issues, among other things, and the Bankruptcy Court directed the Debtors to share their proposed debtor-in-possession financing term sheet with the parties, and update the Bankruptcy Court by end of day on Friday, March 8, 2024. On Thursday, March 7, 2024, counsel for the Debtors provided counsel for the Creditors' Committee (and not the Petitioning Creditors) with a copy of a proposed term sheet for the Original DIP Facility (as defined below) mere hours before it was filed on the docket.

On March 7, 2024, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to Obtain Postpetition Financing (B) Granting Liens and Providing Superiority Administrative Expense Status (C) Modifying the Automatic Stay, (D) Scheduling a Final Hearing and (E) Granting Related Relief* [Docket No. 458] (the "DIP Motion") for approval of a senior secured, superpriority debtor-in-possession financing facility (the "Original DIP Facility") on the terms set forth in the Original DIP term sheet, attached to the DIP Motion as Exhibit C (the "Original DIP Term Sheet"). The proposed lender is "EMC Gas Corporation and such other of its affiliates that agree to participate in the DIP Facility" (the "DIP Lender")—a subsidiary of Eletson Gas, which is itself a subsidiary of Eletson Holdings. Eletson Holdings owns 100% of the common stock of Eletson Gas and there is substantial overlap among their officers and directors.

On March 8, 2024, the Petitioning Creditors submitted a financing proposal to counsel for the Debtors that is significantly better for the Debtors and their estates (the "PC Proposal") than that set forth in the Original DIP Term Sheet.[13] Among other things, the PC Proposal is on an entirely *unsecured and administrative claims-only (not superpriority)* basis and provides substantially more liquidity ($10 million) for the Debtors than the grossly inadequate $4 million under the Original DIP Facility. The PC Proposal would also not result in a default if and when the Bankruptcy Court grants the pending Trustee Motions and, in the case of a default, would not permit the lender to foreclose on the Debtors' assets (as there is no collateral).

[13] The PC Proposal is attached to the Petitioning Creditors' Trustee Motion as Exhibit B.

After the Petitioning Creditors delivered the PC Proposal to the Debtors, on March 15, 2024, the Debtors received a revised term sheet from the DIP Lender that was "economically identical" to the PC Proposal (the "Revised DIP Term Sheet"), which the Debtors "tentatively accepted." Docket No. 513, ¶ 45. As of the date hereof, the Revised DIP Term Sheet has not been filed with the Bankruptcy Court.

The Omnibus Objection provides that the Debtors' need for DIP financing was "resolved in the short term" and on March 17, 2024, the Debtors informed the Bankruptcy Court that they "were given consent by the financiers of the [special maritime entity subsidiaries ("SMEs")] to permit some portion of the funds held by the SMEs to be made available to [Eletson] Holdings as a dividend." *Id.* This "provided the Debtors with the requisite liquidity to immediately pay all outstanding and payable administrative expenses" including the Outstanding Fees. *Id.* The Omnibus Objection further provides that on March 18, 2024, counsel to the Creditors' Committee confirmed receipt of payment of the Outstanding Fees. *Id.*

On March 18, 2024, the Debtors adjourned the DIP Motion to the April 9 Trial. *See* Docket No. 494. The objection deadline on the DIP Motion is March 29, 2024 and the reply deadline is April 2, 2024. *Id.* The Omnibus Objection provides that the "Debtors are still evaluating whether they are still in need of the DIP Facility." Docket No. 513, ¶ 45. As of the date hereof, the U.S. Trustee objected to the DIP Motion.[14] *See* Docket No. 482.

C. The Debtors' Plan and Related Negotiations

1. *The Debtors' Unconfirmable, Insider "New Value" Plan*

Per the Conversion Stipulation, the Petitioning Creditors agreed, among other things, not to oppose or seek to terminate the Debtors' exclusive right to file a chapter 11 plan for the first 120 days after the Conversion Date.[15] During the 120 days post-conversion, the Debtors did nothing to progress these Chapter 11 Cases in good faith. The Debtors did not reach out to the Petitioning Creditors to discuss any form of consensual resolution of the Debtors' obligations, much less discuss a plan during the 120-day exclusivity period. The Debtors also refused to engage with the Creditors' Committee, even after instructed by the Bankruptcy Court to do so.

On January 23, 2024—the very last day of the Debtors' exclusivity period—the Debtors filed a proposed chapter 11 plan of reorganization [Docket No. 370] (the "Debtors' Plan") and a related disclosure statement. Under the Debtors' Plan, creditors will receive almost no recoveries, while the Debtors' existing shareholders will retain their equity interests in Eletson Holdings despite the Debtors

[14] The Omnibus Objection provides that on "March 18, 2024 the [U.S. Trustee] stated that they had no objection to the DIP Facility and deferred to the Debtors' business judgment on the selection of unsecured postpetition facilities." Docket No. 513, ¶ 45.

[15] Section 1121(b) of the Bankruptcy Code provides that "[e]xcept as otherwise provided in this section, only the debtor may file a plan until after 120 days after the date of the order for relief under this chapter." 11 U.S.C. § 1121(b). The initial 120-day exclusivity period is subject to extension by the Bankruptcy Court for "cause." 11 U.S.C. § 1121(d).

proposing to provide creditors almost no recoveries. The Debtors propose to fund their plan with an up to $10 million contribution by their existing shareholders in cash and/or other assets (the form of such consideration being unclear), which proposed funding has not been subject to a market test or made available to any parties other than the Debtors' insiders.

The Debtors' Plan was not proposed in good faith and is unconfirmable for at least four reasons. *First*, the Debtors' Plan violates the absolute priority rule and bedrock bankruptcy principles and case law, including Supreme Court precedent, that shareholders cannot be given the exclusive right to invest new value in the debtor absent a market test. The Debtors' Plan gives the Debtors' shareholders the exclusive right to invest "new value" in the form of the $10 million Shareholder New Value Contribution (as defined in the Debtors' Plan). *Second*, the Debtors' Plan violates the "best interests" of creditors test because nearly every single class of claims, if not all, would receive more in a hypothetical chapter 7 liquidation where 100% of the value of the Debtors would be available for creditors prior to shareholders receiving value on account of their interests. *Third*, the Debtors' Plan impermissibly classifies general unsecured claims in a way that is designed to gerrymander an impaired accepting class of claims by separately classifying similar claims without a valid business purpose. *Fourth*, the Debtors' Plan lacks any indicia of good faith, including that it has not been discussed with the Petitioning Creditors or the Creditors' Committee prior to filing and impairs classes of claims despite having the ability to keep them unimpaired. Additionally, the Debtors' Plan would provide the Debtors' directors and officers with broad releases for both prepetition and postpetition conduct, through various exculpation and injunction provisions, even though the Creditors' Committee (and others) has identified material claims against the directors and officers. Finally, the Debtors' Plan improperly caps the fees incurred by counsel to the Creditors' Committee.

At the time of filing the Debtors' Plan, on January 23, 2024, the Debtors also filed a motion for approval of their related disclosure statement and procedures for the solicitation of votes with respect to the Debtors' Plan [Docket No. 372] (the "Debtors' Solicitation Motion"). At the March 6 Status Conference the Bankruptcy Court scheduled the Debtors' Solicitation Motion for the May 8 Trial.

2. *The Petitioning Creditors' Motion to Terminate Exclusivity*

On January 29, 2024, the Petitioning Creditors filed a motion to terminate the Debtors' exclusivity period [Docket No. 384] (the "Exclusivity Termination Motion"), which was joined by the 2022 Notes Trustee [Docket No. 419]. On March 12, 2024, the Creditors' Committee filed a statement in support of the Exclusivity Termination Motion [Docket No. 473]. The Exclusivity Termination Motion argues that the Debtors forfeited exclusivity by filing the Debtors' Plan, which is an unconfirmable new value plan (*id.* at 18), and that even if the Debtors had not filed an unconfirmable new value plan, termination is warranted under the *Adelphia* factors (*id*. at 19-29). The Exclusivity Termination Motion also argues that the Debtors have repeatedly demonstrated that they have no intention of advancing these Chapter 11 Cases to a good faith resolution. *Id*. at 18, 22.

Pursuant to the Adjournment Order, the Bankruptcy Court adjourned all briefing and hearing dates and deadlines with respect to the Exclusivity Termination Motion pending further discussion at the February 27 Status Conference. At the February 27 Status Conference, the Bankruptcy Court scheduled the Exclusivity Termination Motion for the April 9 Trial.

On March 25, 2024, the Debtors' exclusivity periods expired under the Bankruptcy Code without the Debtors seeking any extension.

3. *Mediation*

On February 13, 2024, the Debtors filed a motion to compel mediation regarding the Debtors' Plan and other issues affecting these Chapter 11 Cases [Docket No. 412] (the "Motion to Compel Mediation"). On February 14, 2024, the Petitioning Creditors and the Creditors' Committee each filed letters in response to the Motion to Compel Mediation [Docket Nos. 414 and 415]. The Petitioning Creditors asserted that the Motion to Compel Mediation was unnecessary, intended to create additional delay and cost, and the timing of the filing was further indication of the Debtors' lack of good faith in participating in the mediation. Nevertheless, the Petitioning Creditors indicated that they were ready, willing, and able to participate in mediation as soon as possible. The Creditors' Committee agreed with the Petitioning Creditors, and further suggested that the parties use the time leading up to the February 27 Status Conference to explore "whether it would be feasible to reach a mediated resolution of these cases" and proposed that Judge Allan L. Gropper, (Ret.) who previously presided over the Initial Mediation of these parties in September 2023, serve as the mediator. *See* Docket No. 415 at 1.

On February 15, 2024, the Bankruptcy Court adjourned all briefing and hearing dates and deadlines with respect to the Motion to Compel Mediation pending further discussion at the February 27 Status Conference. At the February 27 Status Conference, the Bankruptcy Court directed the parties to participate in the Chapter 11 Mediation (as defined below).

4. *February 27 Status Conference*

In accordance with the Bankruptcy Court's Adjournment Order entered on February 12, 2024, the parties met and conferred regarding a joint status report setting forth their respective positions, which status report was filed on February 26, 2024 [Docket No. 435]. At the status conference held on February 27, 2024 (the "February 27 Status Conference"), the Bankruptcy Court directed the parties to mediate (the "Chapter 11 Mediation") before Judge Allan L. Gropper, (Ret.) (the "Mediator"). On March 13, 2024, the Bankruptcy Court entered the order re-appointing the Mediator [Docket No. 479] (the "Mediation Order"), which directed the Debtors, the Petitioning Creditors, the Creditors' Committee, the Nominees, Levona, the 2022 Notes Trustee, Eletson Corp, and Eletson Gas to mediate the Mediation Matters (as defined in the Mediation Order). The Chapter 11 Mediation is scheduled to take place on March 27, 2024.

At the February 27 Status Conference, the Bankruptcy Court also scheduled the April 9 Trial on the UCC Trustee Motion, the UST Trustee Motion, and

the Exclusivity Termination Motion. On March 8, 2024, the Bankruptcy Court entered the scheduling order on the UCC Trustee Motion, the UST Trustee Motion, and the Exclusivity Termination Motion [Docket No. 467] (the "Scheduling Order"), which set March 22, 2024 as the objection deadline and April 2, 2024 as the reply deadline on the UCC Trustee Motion, the UST Trustee Motion, and the Exclusivity Termination Motion.[16] *See* Docket No. 467.

5. *March 6 Status Conference*

At the status conference held on March 6, 2024 (the "March 6 Status Conference"), the Bankruptcy Court scheduled the May 8 Trial on the Claims Objections and the Debtors' Solicitation Motion.

6. *Expiration of Exclusivity*

On March 25, 2024, the Debtors' exclusivity periods expired under the Bankruptcy Code without the Debtors seeking any extension.

IV. SUMMARY OF THE PLAN

THE FOLLOWING SUMMARY HIGHLIGHTS CERTAIN PROVISIONS OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (A COPY OF WHICH IS ATTACHED HERETO AS **APPENDIX A**). IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PLAN AND THIS DISCLOSURE STATEMENT, THE PLAN SHALL CONTROL.

A. Unclassified Claims

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims (including, Professional Fee Claims and U.S. Trustee Fees), DIP Claims, and Priority Tax Claims are not classified and not entitled to vote on the Plan.

1. *Administrative Claims*

Except with respect to Professional Fee Claims, unless the Holder of an Allowed Administrative Claim agrees to less favorable treatment of such Claim, on or as soon as reasonably practicable after the later of (a) the Effective Date, (b) the date on which an Administrative Claim becomes an Allowed Administrative Claim, or (c) the date on which an Allowed Administrative Claim becomes payable under any agreement relating thereto, each Holder of an Allowed Administrative Claim shall receive, in full and final satisfaction, compromise, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim.

[16] Subsequently, the Petitioning Creditors' Trustee Motion and the DIP Motion were scheduled to be heard at the April 9 Trial. *See* Docket Nos. 481 and 494.

2. *DIP Claims*

All DIP Claims (if any) shall be deemed Allowed as of the Effective Date in an amount equal to the aggregate amount of the DIP Facility obligations approved by the Bankruptcy Court, including, (i) the principal amount outstanding under the DIP Facility on such date, (ii) all interest accrued and unpaid thereon through and including the date of payment, and (iii) all accrued fees, expenses, and indemnification obligations (if any) payable under the DIP Documents.

On the Effective Date, except to the extent a Holder of an Allowed DIP Claim agrees to a less favorable treatment of such Claim, each Holder of an Allowed DIP Claim shall receive, in full and final satisfaction, compromise, settlement, release and discharge of, and in exchange for such Allowed DIP Claim Cash equal to the unpaid portion of such Allowed DIP Claim.

Contemporaneously with the foregoing treatment, the DIP Facility and DIP Documents shall be deemed terminated without further action by the DIP Agent or the DIP Lenders. The DIP Agent and DIP Lenders shall take all actions to effectuate and confirm such termination as reasonably requested by the Plan Proponents or Reorganized Holdings, as applicable.

3. *U.S. Trustee Fees*

All U.S. Trustee Fees payable after the Effective Date, if any, shall be paid by Reorganized Holdings until the closing of the Chapter 11 Cases pursuant to section 350(a) of the Bankruptcy Code.

4. *Priority Tax Claims*

Unless the Holder of an Allowed Priority Tax Claim agrees to less favorable treatment of such Claim, each Holder of an Allowed Priority Tax Claim shall receive, in full and final satisfaction, compromise, settlement, release, and discharge of, and in exchange for such Allowed Priority Tax Claims, either (a) payment in full in Cash, on the latest of (i) the Effective Date, (ii) the date on which a Priority Tax Claim becomes an Allowed Priority Tax Claim, and (iii) the date such Allowed Priority Tax Claim becomes payable under applicable non-bankruptcy law, (b) upon such other terms as agreed between the Plan Proponents and each Holder of such Allowed Priority Tax Claim, or (c) over a period ending not later than five (5) years after the Petition Date consistent with section 1129(a)(9)(C) of the Bankruptcy Code.

5. *Professional Fee Claims*

All applications for allowance and payment of Professional Fee Claims by Professionals for services rendered and reimbursement of expenses incurred prior to the Effective Date must be filed on or before the Professional Fee Claims Bar Date. If an application for a Professional Fee Claim is not filed by the Professional Fee Claims Bar Date, such Professional Fee Claim shall be deemed waived, and the Holder of such Claim shall be forever barred from receiving payment on account thereof. The notice of the occurrence of the Effective Date shall set forth the Professional Fee Claims Bar Date and shall constitute notice thereof. Objections to any Professional Fee Claims must be

filed and served on Reorganized Holdings, the Plan Proponents, and the requesting Professional, no later than twenty-one (21) days after service of the applicable final application for allowance and payment of Professional Fee Claims.

Unless otherwise agreed to (1) by the Plan Proponent and the Professional prior to the Effective Date or (2) by Reorganized Holdings and the Professional after the Effective Date, the amount of Professional Fee Claims owing to such Professional that are Allowed by Final Order shall be paid in full in Cash by Reorganized Holdings as soon as reasonably practicable after its Professional Fee Claims are Allowed by order of the Bankruptcy Court, (x) *first*, by application of any retainer monies held by such Professional, and (y) *second*, once such retainer balance is exhausted, Reorganized Holdings shall pay such Professional the remaining balance of its Allowed Professional Fee Claim in Cash.

6. *Post-Effective Date Fees and Expenses*

On the Effective Date, the retention, including all rights and duties arising from, or related to, the Chapter 11 Cases, of each of the Debtors' retained professionals shall terminate; *provided*, *however*, that the Debtors' retained professionals may file fee applications in accordance with the Plan and Confirmation Order by the Professional Fee Claims Bar Date.

B. Classification and Treatment of Claims

The following table summarizes the classification and treatment of all Claims against the Debtors under the Plan.

Class and Estimated Amount	Summary of Treatment	Estimated Recovery	Entitled to Vote
Other Priority Claims[17] **(Class 1)** **(Amount $0)**	Unless the Holder of an Allowed Other Priority Claim agrees to less favorable treatment of such Claim, each Holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction, compromise, settlement, release, and discharge of, and in exchange for such Allowed Other Priority Claim, at the option of the Plan Proponents or Reorganized Holdings, as applicable, Cash in an amount equal to the Allowed amount of such Allowed Other Priority Claim as soon as reasonably practicable after the latest of (1) the Effective Date, (2) the date that such Claim becomes an Allowed Other Priority Claim, and (3) a date agreed to by the Plan Proponents or Reorganized Holdings, as applicable, and the Holder of such Allowed Other Priority Claim.	100% Unimpaired	No (Deemed to Accept)

[17] *Other Priority Claim* means any Claim against any Debtor accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than an Administrative Claim, DIP Claim, or Priority Tax Claim.

Class and Estimated Amount	Summary of Treatment	Estimated Recovery	Entitled to Vote
Secured Claims[18] **(Class 2)** **(Amount [•])**	Unless the Holder of an Allowed Secured Claim agrees to less favorable treatment of such Claim, each Holder of an Allowed Secured Claim shall receive, in full and final satisfaction, compromise, settlement, release, and discharge of, and in exchange for such Allowed Secured Claim, at the option of the Plan Proponents or Reorganized Holdings, as applicable, (1) Cash in an amount equal to the Allowed amount of such Allowed Secured Claim as soon as reasonably practicable after the latest of (A) the Effective Date, (B) the date that such Claim becomes an Allowed Secured Claim, and (C) a date agreed to by the Plan Proponents or Reorganized Holdings, as applicable, and the Holder of such Secured Claim; (2) reinstatement of such Allowed Secured Claim; (3) the collateral securing such Holder's Allowed Secured Claim, or (4) such other treatment rendering such Allowed Secured Claim Unimpaired.	100% Unimpaired	No (Deemed to Accept)

[18] *Secured Claim* means a Claim against a Debtor (other than an Administrative Claim, DIP Claim, Priority Tax Claim, Other Priority Claim, Azure Guaranty Claim, OCM Guaranty Claim, Corp. Guaranty Claim, Subordinated Claim, or Intercompany Claim), that is secured by a Lien on property in which a Debtor's Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder's interest in the applicable Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) or 1129(b) of the Bankruptcy Code or, in the case of setoff, pursuant to section 553 of the Bankruptcy Code.

General Unsecured Claims[19] **(Class 3)** **(Amount [•])**	Unless the Holder of an Allowed General Unsecured Claim agrees to less favorable treatment of such Claim, each Holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction, compromise, settlement, release, and discharge of, and in exchange for such Allowed General Unsecured Claim, the following (1) and (2): (1) at such Holder's election, either a. Equity Option: if such Holder is an Eligible Holder and makes a written election on a timely and properly delivered and completed Ballot or other writing satisfactory to the Plan Proponents, its Pro Rata Share, as between the Equity / Cash Option Claims, of the Reorganized Equity, subject to dilution on account of the Reorganized Equity issued on account of the Rights Offering, the Backstop Premium, and the EIP; or b. Cash Option: its Pro Rata Share, among Equity/Cash Option Claims, of the GUC Cash Pool; *provided*, for the avoidance of doubt, the Pro Rata Share calculation in this subclause (B) shall be calculated based on the aggregate amount of all Allowed Equity / Cash Option Claims whether or not Holders of such Claims receive the treatment in this subclause (B); *provided*, for the avoidance of doubt, with respect to the treatment specified in Section 3.3(c)(iii)(1)(A) of the Plan, any non-Eligible Holder of an Allowed General Unsecured Claim, shall receive the treatment specified in Section 3.3(c)(iii)(1)(B) of the Plan (unless, pursuant to Section 3.3(d) of the Plan, such Holder irrevocably elects to have its General Unsecured Claim treated as a Convenience Claim); *provided, further*, if an Eligible Holder of an Allowed General Unsecured Claim does not submit a Ballot or submits a Ballot but fails to affirmatively elect the treatment set forth in Section 3.3(c)(iii)(1)(A) of the Plan, such Eligible Holder shall be deemed to have elected the treatment specified in Section 3.3(c)(iii)(1)(B) of the Plan with respect to its Allowed General Unsecured Claim; and (2) Rights Offering: If such Holder is an Eligible Holder, its Pro Rata Share, as between the Eligible Holders of Equity/Cash Option Claims, of the Rights Offering Subscription Rights to purchase the Reorganized Equity to	[•]% Impaired	Yes

Class and Estimated Amount	Summary of Treatment	Estimated Recovery	Entitled to Vote
	be issued pursuant to the Rights Offering to the extent such Eligible Holder elects to exercise its Rights Offering Subscription Rights.		
Convenience Claims[20] **(Class 4)** **(Amount [•])**	On the Effective Date, except to the extent that a Holder of an Allowed Convenience Claim agrees to less favorable treatment of such Claim, each Holder of an Allowed Convenience Claim shall receive, in full and final satisfaction, compromise, settlement, release and discharge of and in exchange for such Allowed Convenience Claim, Cash in an amount equal to [10]% of the face amount of such Holder's Allowed Convenience Claim; *provided*, the aggregate distributions to Holders of Convenience Claims shall not exceed the Convenience Claim Cap; *provided, further*, that in the event the aggregate distributions to Holders of Convenience Claims exceeds the Convenience Claim Cap, Holders of such Claims shall receive their Pro Rata Share of the Convenience Claim Cap.	[10%] Impaired	Yes

[19] *General Unsecured Claim* means any Claim against any Debtor, but excluding any Administrative Claims, DIP Claims, Professional Fee Claims, U.S. Trustee Fees, Priority Tax Claims, Other Priority Claims, Convenience Claims, Azure Guaranty Claims, OCM Guaranty Claims, Corp. Guaranty Claims, Subordinated Claims, or Intercompany Claims, as of the Petition Date that is neither secured by collateral nor entitled to priority under the Bankruptcy Code or any Final Order of the Bankruptcy Court. For the avoidance of doubt, any Claim that is a 2022 Notes Claim and Old Notes Claim is a "General Unsecured Claim."

[20] *Convenience Claim* means any Allowed General Unsecured Claim against the Debtors in an amount that is greater than $0 but less than or equal to the Convenience Claim Threshold Amount; *provided*, that holders of Allowed General Unsecured Claims exceeding the Convenience Claim Threshold Amount may irrevocably elect to have their claim reduced to the Convenience Class Threshold Amount and treated as Convenience Claims.

Class and Estimated Amount	Summary of Treatment	Estimated Recovery	Entitled to Vote
Azure Guaranty Claims[21] **(Class 5)** **(Amount [•])**	[On the Effective Date, except to the extent that a Holder of an Allowed Azure Guaranty Claim agrees to less favorable treatment of such Claim, each Holder of an Allowed Azure Guaranty Claim shall receive, in full and final satisfaction, compromise, settlement, release and discharge of and in exchange for such Allowed Azure Guaranty Claim, subject to entry into the Azure Claim Settlement, (1) the collateral securing such Holder's Allowed Azure Guaranty Claim and (2) its Pro Rata Share of the Azure Consideration.]	[•]% Impaired	Yes

[21] *Azure Guaranty Claim* means any Claim filed by any Azure Claimant against the Debtors on account of any and all Azure Agreements, including, but not limited to, the Azure Arbitration Claims.

Corp. Guaranty Claims[22] **(Class 6)** **(Amount [•])**	Unless the Holder of an Allowed Corp. Guaranty Claim agrees to less favorable treatment of such Claim, each Holder of an Allowed Corp. Guaranty Claim shall receive, in exchange for full and final satisfaction, compromise, settlement, release and discharge of and in exchange for such Allowed Corp. Guaranty Claim the following (1) and (2): (1) At such holder's election, either: a. Equity Option: if such Holder is an Eligible Holder and makes a written election on a timely and properly delivered and completed Ballot or other writing satisfactory to the Plan Proponents, its Pro Rata Share, as between the Equity / Cash Option Claims, of the Reorganized Equity, subject to dilution on account of the Reorganized Equity issued on account of the Rights Offering, the Backstop Premium, and the EIP; or b. Cash Option: its Pro Rata Share, among Equity/Cash Option Claims, of the GUC Cash Pool; *provided*, for the avoidance of doubt, the Pro Rata Share calculation in this subclause (B) shall be calculated based on the aggregate amount of all Allowed Equity / Cash Option Claims whether or not Holders of such Claims receive the treatment in this subclause (B); *provided*, for the avoidance of doubt, with respect to the treatment specified in Section 3.3(f)(iii)(1)(A) of the Plan, any non-Eligible Holder of an Allowed Corp. Guaranty Claim, shall receive the treatment specified in Section 3.3(f)(iii)(1)(B) of the Plan; *provided*, *further*, if an Eligible Holder of an Allowed Corp. Guaranty Claim does not submit a Ballot or that submits a Ballot but fails to affirmatively elect the treatment set forth in Section 3.3(f)(ii)(1)(A) of the Plan, such Eligible Holder shall be deemed to have elected the treatment specified in Section 3.3(f)(ii)(1)(B) of the Plan with respect to its Allowed Corp. Guaranty Claim; and (2) Rights Offering: if such Holder is an Eligible Holder, its Pro Rata Share, as between the Eligible Holders of Equity/Cash Option Claims, of the Rights Offering Subscription Rights to purchase the Reorganized Equity to be issued pursuant to the Rights Offering to the extent such Eligible Holder elects to	[•]% Impaired	Yes

Class and Estimated Amount	Summary of Treatment	Estimated Recovery	Entitled to Vote
	exercise its Rights Offering Subscription Rights.		
OCM Guaranty Claims[23] **(Class 7)** **(Amount [•])**	On the Effective Date, all OCM Guaranty Claims shall be Reinstated and such Holder's claims shall be rendered Unimpaired in accordance with section 1124 of the Bankruptcy Code.	[•]% Unimpaired	No (Deemed to Accept)
Subordinated Claims[24] **(Class 8)** **(Amount [•])**	On the Effective Date, each Allowed Subordinated Claim shall be cancelled, discharged, and released, without any distribution to Holders.	Impaired	No (Deemed to Reject)
Intercompany Claims[25] **(Class 9)** **(Amount [•])**	On the Effective Date, each Allowed Intercompany Claim shall either be Reinstated or discharged, cancelled, released, and extinguished, without any distributions to Holders, as determined by the Plan Proponents or Reorganized Holdings, as applicable.	[•]% Impaired / Unimpaired	No (Deemed to Accept /Reject)

22 *Corp. Guaranty Claim* means any guaranty-related Claims arising from or related to an executed guaranty or similar security agreement (other than Azure Guaranty Claims, OCM Guaranty Claims, Subordinated Claims, and Intercompany Claims) executed by Eletson Holdings guaranteeing the obligations of Eletson Corporation, including, but not limited to, any claim arising from or related to the Debtors' obligations to Pireaus Bank, Alpha Bank, and Aegean Baltic Bank.

23 *OCM Guaranty Claim* means any Claim arising from or related to the guarantees executed by Eletson Holdings in favor of the obligations of each of: Fourni Special Maritime Enterprises; Kastos Special Maritime Enterprises; Kimolos II Special Maritime Enterprise; Kinaros Special Maritime Enterprise; OCM Maritime Rhine LLC; OCM Maritime Yukon LLC; OCM Maritime Autumn LLC; and OCM Maritime Thames LLC.

24 *Subordinated Claim* means collectively, Section 510(b) Claims and Eletson Insider Claims.

25 *Intercompany Claim* means any and all Claims of a Debtor against another Debtor or non-Debtor Affiliate.

Class and Estimated Amount	Summary of Treatment	Estimated Recovery	Entitled to Vote
Intercompany Interests[26] **(Class 10)** **(Amount [•])**	On the Effective Date, each Allowed Intercompany Interest shall be either be Reinstated or discharged, cancelled, released, and extinguished, without any distributions to Holders, as determined by the Plan Proponents or Reorganized Holdings, as applicable.	[•]% Impaired / Unimpaired	No (Deemed to Accept / Reject)
Existing Equity Interests[27] **(Class 11)** **(Amount [•])**	On the Effective Date, each Allowed Existing Equity Interest shall be discharged, cancelled, released, and extinguished, without any distributions to Holders.	[•]% Impaired	No (Deemed to Reject)

C. Other Miscellaneous Plan Provisions

The Plan contains various provisions relating to:

- the means for implementing the Plan, and operations and governance of the Debtors after the Effective Date (*see* Article V;)
- procedures for making distributions from the Debtors and Reorganized Holdings and the rights and powers of any Disbursing Agent (*see* Article VI);
- procedures for the reconciliation of Claims and Proofs of Claim and related matters, such as objections and estimation for any Disputed Claims (*see* Article VII);
- the treatment of executory contracts and unexpired leases (*see* Article VIII);
- conditions precedent to consummation of the Plan (*see* Article IX);

[26] *Intercompany Interest* means an Interest in a Debtor held by another Debtor; *provided*, for the avoidance of doubt, Parent Equity Interests are not Intercompany Interests.

[27] *Existing Equity Interest* means all existing equity Interests (other than Intercompany Interests), including without limitation, (a) any and all Parent Equity Interest, and (b) all common and preferred stock and all rights to purchase common and preferred stock in each Debtor.

- the effect of confirmation (including the injunction and exculpation provisions (as explained in greater detail below)) (*see* Article X); and

- miscellaneous other implementation and effectuating provisions, including the retention of the Bankruptcy Court's jurisdiction with respect to certain issues (*see* Articles XI, XII).

D. The Azure Claims Settlement

The provisions of the Plan incorporate the settlement among the Debtors, the Estates and the Azure Claimants (the "Azure Claims Settlement"). At the Confirmation Hearing, the Plan Proponents will request that the Bankruptcy Court approve the Plan and the integrated Azure Claims Settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019.

When evaluating plan settlements pursuant to section 1123 of the Bankruptcy Code, courts in the Second Circuit typically consider the standards used to evaluate settlements under Bankruptcy Rule 9019—i.e., the settlement must be "fair and equitable" and in the best interests of the estate. *See In re Best Prods. Co., Inc.* 168 B.R. 35, 50 (Bankr. S.D.N.Y. 1994) ("[W]hether the claim is compromised as part of the plan or pursuant to a separate motion, the standards for approval of the compromise are the same. The settlement must be 'fair and equitable,' . . . and be in the best interest of the estate.") (internal citation omitted). In determining whether a settlement is fair and equitable and in the best interest of the estate, courts in the Second Circuit apply seven interrelated factors:

> (1) the balance between the litigation's possibility of success and the settlement's future benefits; the likelihood of complex and protracted litigation, with its attendant expense, inconvenience, and delay, including the difficulty of collecting on the judgment; (3) the paramount interests of the creditors, including each affected class's relative benefits and the degree to which creditors either do not object to or affirmatively support the proposed settlement; (4) whether other parties in interest support the settlement; (5) the competency and experience of counsel supporting, and the experience and knowledge of the bankruptcy judge reviewing, the settlement; (6) the nature and breadth of releases to be obtained by officers and directors; and (7) the extent to which the settlement is the product of arm's length bargaining.

In re Iridium Operating LLC, 478 F.3d 452, 462 (2d Cir. 2007) (internal quotation marks committed. The benchmark is whether or not, based on the court's canvassing of the issues (as opposed to a "mini-trial" of the merits underlying each dispute), the terms of the proposed compromise "fall[] below the lowest point in the range of reasonableness." *In re NII Holdings, Inc.* 536 B.R. 61, 100 (Bankr. S.D.N.Y. 2015).

The court looks to whether the settlement as a whole is reasonable (*see NII Holdings,* 536 B.R. at 105) and in light of the general public policy favoring settlements (*In re Hibbard Brown & Co.*, 217 B.R. 41, 46 (Bankr. S.D.N.Y. 1998)). As a general matter, settlements and compromises are favored in bankruptcy "as they minimize costly litigation and further parties' interests in expediting the administration of the bankruptcy estate." *In re Dewey & LeBoeuf LLP*, 478 B.R. 627, 640 (Bankr. S.D.N.Y. 2012) (internal citations and quotations omitted).

Upon the occurrence of the Effective Date, each Azure Debtor Party and each Azure Claimant will agree to a voluntary and consensual mutual release of all claims and causes of action based on or relating to, or in any manner arising from, in whole or in part, (i) the Azure Agreements, (ii) the Azure Guaranty Claims, (iii) the Azure Arbitration Claims, (iv) claims arising under or related to the termination of the Azure Charter Agreements, and (v) all actions taken in connection with the Chapter 11 Cases (whether arising prior to or after the Petition Date) prior to the Effective Date.

Absent the Azure Claims Settlement, the Azure Guaranty Claims may substantially reduce the recoveries to Holders of Allowed General Unsecured Claims, and the Debtors and their creditors would likely seek nonconsensual recharacterization or subordination of such claims arising under the Azure Agreements, among other things, litigation in relation to which will be costly and has an uncertain outcome.

E. Backstop Commitment and Rights Offering

1. *Backstop Agreement*

Under the terms of the Backstop Agreement: (a) on the Effective Date, the Backstop Party has agreed to purchase all of the Reorganized Equity offered and not duly subscribed for and/or purchased in the Rights Offering in accordance with the Rights Offering Procedures; (b) the Backstop Party will receive the Backstop Premium, which will be immediately and automatically deemed fully earned upon entry into the Backstop Agreement and payable upon the Effective Date.

The offering, issuance, and distribution of the Reorganized Equity on account of the Equity / Cash Option Claims and the Rights Offering shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable U.S. state or other law requiring registration prior to the offering, issuance, distribution, or sale of securities in accordance with, and pursuant to, section 1145 of the Bankruptcy Code to the extent permitted or under the Securities Act by virtue of section 4(a)(2) thereof, Regulation D, and/or Regulation S. Such Reorganized Equity issued pursuant to section 1145 of the Bankruptcy Code will not be "restricted securities" as defined in Rule 144(a)(3) of the Securities Act and will be freely tradable and transferable by the initial recipients thereof, subject to the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 1145(b) of the Bankruptcy Code, and compliance with applicable securities laws, including Rule 144 of the Securities Act, and any rules and regulations of the SEC, if any, applicable at the time of any future transfer of such securities or instruments. To the extent the issuance and distribution of any Reorganized Equity is being made in reliance on the exemption from registration set forth in section 4(a)(2) of the Securities

Act, Regulation D, and/or Regulation S promulgated under the Securities Act, and similar registration exemptions applicable outside of the United States, such securities will be considered "restricted securities" subject to resale restrictions and may be resold, exchanged, assigned, or otherwise transferred only pursuant to a registration statement or available exemption from the registration requirements of the Securities Act and other applicable law.

The issuance of the Reorganized Equity to the Backstop Party, and the payment of the Backstop Premium is being made in reliance on the exemption from registration set forth in section 4(a)(2) of the Securities Act, Regulation D, and/or Regulation S promulgated under the Securities Act, and similar registration exemptions applicable outside of the United States, such securities will be considered "restricted securities" subject to resale restrictions and may be resold, exchanged, assigned, or otherwise transferred only pursuant to a registration statement or available exemption from the registration requirements of the Securities Act and other applicable law.

Any securities issued under the EIP will be issued pursuant to a registration statement or available exemption from registration under the Securities Act and other applicable law.

2. *Rights Offering Procedures*

[On [•] [•], 2024, the Petitioning Creditors filed a motion [Docket No. [•]] (the "Rights Offering Procedures Motion") seeking approval of procedures for conducting the Rights Offering. On [•] [•], 2024, the Bankruptcy Court entered an order approving the Rights Offering Procedures Motion [Docket No. [•]]. The $[27.0] million Rights Offering will be conducted in reliance upon the exemptions from registration under section 1145 of the Bankruptcy Code or Section 4(a)(2) of the Securities Act. All Eligible Holders of an Equity / Cash Option Claim (each, an "Applicable Claim") are entitled to receive their share of Rights Offering Subscription Rights to acquire up to [68]% of the Reorganized Equity, at a price that represents an implied [50]% discount to a stipulated plan equity value of up to US$25,000,000.00, in accordance with the Rights Offering Procedures, which shall be backstopped by the Backstop Party.

Subject to the terms and conditions set forth in the Plan, the Rights Offering Procedures, the form to be used for exercising the Rights Offering Subscription Rights (the "Subscription Form"), and the agreement setting forth the terms and conditions of subscription (the "Subscription Agreement"), each Eligible Holder of an Applicable Claim is entitled to subscribe for up to its Pro Rata Portion (as defined in the Rights Offering Procedures) of the Reorganized Equity to be issued pursuant to the Rights Offering at a purchase price of $[•][28] per security (the "Purchase Price"). There will be no oversubscription rights in the Rights Offering. Any Reorganized Equity that is unsubscribed by Eligible Holders pursuant to the Rights Offering will not be offered to other Eligible Holders but will be purchased by the Backstop Party in accordance

[28] Rounded to the nearest whole cent.

with the Backstop Agreement. Subject to the terms and conditions of the Backstop Agreement, the Backstop Party is obligated to purchase its Pro Rata Portion of the applicable Reorganized Equity pursuant to the Rights Offering.

Pursuant to the Rights Offering Procedures, an Applicable Claim and related Rights Offering Subscription Rights will transfer together as a unit with the underlying Applicable Claim in respect of which such Rights Offering Subscription Rights were issued, subject to any limitations that would be applicable to the transferability of the Applicable Claims. The Rights Offering Subscription Rights will not be detachable from the underlying Applicable Claims and may not be Transferred (as defined in the Rights Offering Procedures) separately from the underlying Applicable Claims.

To exercise the Rights Offering Subscription Rights, an Eligible Holder must complete and return to the Subscription Agent (as defined in the Rights Offering Procedures) a Subscription Form (with accompanying IRS Form W-9 or appropriate IRS Form W-8, as applicable) and a Subscription Agreement by the Subscription Expiration Deadline, and pay the Purchase Price for the Reorganized Equity for which it subscribes (a) in the case of an Eligible Holder that is not a Backstop Party, by the Subscription Expiration Deadline, and (b) in the case of an Eligible Holder that is the Backstop Party, no later than the deadline specified in a written notice delivered by the Plan Proponents Creditors to the Backstop Party in accordance with the Backstop Agreement. In the case of the Old Notes Claims and the 2022 Notes Claims (collectively, the "Notes Claims"), Eligible Holders must also electronically deliver for cancellation the respective notes underlying the Notes Claims to the Subscription Agent in accordance with the procedures of DTC or other applicable depository prior to the Subscription Expiration Deadline.]

F. Proposed Substantive Consolidation

Substantive consolidation is an equitable legal doctrine under which a bankruptcy court may treat separate, individual debtors as if they were merged into a single debtor entity and vested with the cumulative assets and liabilities of the debtor estates. The result of substantive consolidation is that claims asserted by creditors against multiple debtors are converted into claims against the surviving consolidated debtor entity.

In determining whether to order substantive consolidation, courts in the Second Circuit consider whether (i) "creditors dealt with the entities as a single economic unit and did not rely on their separate identity in extending credit" or (ii) "the affairs of the debtors are so entangled that consolidation will benefit all creditors." *In re Augie/Restivo Baking Co., Ltd.*, 860 F.2d 515, 518 (2d Cir. 1988). Satisfaction of either prong will support substantive consolidation. *In re Extended Stay, Inc.*, No. 09-13764-JLG, 2020 WL 10762310, at *42 (Bankr. S.D.N.Y. Aug. 8, 2020). However, courts have cautioned that it is a remedy that is to be applied "sparingly." *Id.*

The first *Augie/Restivo* prong is "applied from the creditors' perspective" and the inquiry ''is whether creditors treated the [subject entities] as a single entity, not

whether the managers of the [entities] themselves, or consumers, viewed the [entities] as one enterprise." *Id.* at *43.

The second *Augie/Restivo* prong concerns both financial and operational entanglement between the subject entities, but the prong is only satisfied where the entanglement and/or commingling is so pervasive that untangling would be either impossible or so difficult and costly that doing so would effectively extinguish assets such that the creditors will not benefit from consolidation. *See e.g., In re Verestar, Inc.*, 343 B.R. 444, 463 (Bankr. S.D.N.Y. 2006) (denying consolidation of a non-debtor-parent-company who commingled funds and business operations with subsidiary-debtor, reasoning "there is no allegation that it is impossible to sort out the intercompany transfers or that the companies' respective rights to the cash cannot be traced"); *Extended Stay,* 2020 WL 10762310 at *53 (citing *In re WorldCom, Inc.*, No. 02-13533, 2003 WL 23861928, at *36 (Bankr. S.D.N.Y. Oct. 31, 2003) (explaining that substantive consolidation is appropriate when "it would be so costly and difficult to untangle the [d]ebtors' financial affairs, such that doing so is a 'practical impossibility,' " or "that it is not possible to create accurate financial data for each legal entity."); *In re Drexel Burnham Lambert Grp.*, Inc., 138 B.R. 723, 766 (Bankr. S.D.N.Y. 1992) (finding substantive consolidation appropriate where debtors operated as single enterprise and establishing allocation of liability "would be a Herculean task consuming years of costly professional services, thereby draining significant amounts of value from the [d]ebtors' estates")).

In evaluating whether to order substantive consolidation, courts consider (a) the presence or absence of consolidated financial statements, (b) the unity of interest and ownership between various corporate entities, (c) the existence of parent and intercompany guarantees on loans, (d) the degree of difficulty in segregating and ascertaining individual assets and liabilities, (e) the existence of transfers of assets without formal observation of corporate formalities, (f) the commingling of assets and business functions, and (g) the profitability of consolidation at a single location. *Augie/Restivo*, 860 F.2d at 518.

The Plan provides for limited substantive consolidation of the Debtors' estates for purposes of making distributions under the Plan. The Plan Proponents believe that consensual substantive consolidation provides the most equitable treatment as to the Debtors' creditors (which nearly entirely consist of claims against Debtor Eletson Holdings and not Debtors Eletson MI and Eletson Finance). Substantive consolidation maximizes the returns to creditors under the Plan and no creditors or other parties in interest are harmed by the limited substantive consolidation contemplated by the Plan.

G. Releases

The Plan does not provide for the release of Claims or Causes of Action belonging to the Debtors or their Estates or any third party Claims or Causes of Action held by third party non-Debtors. The Plan contains certain usual and customary discharge and injunction provisions consistent with the Bankruptcy Code and as part of implementing the restructuring set forth in the Plan, as well as certain exculpation provisions for the Plan Proponents, the Creditors' Committee (and its members), and

their respective Related Parties. Each of the foregoing are described in greater detail in Sections 10.3, 10.4, and 10.5 of the Plan and are set forth below.

1. *Discharge*

Pursuant to and to the fullest extent permitted by the Bankruptcy Code, except as otherwise specifically provided in the Plan or the Confirmation Order, the treatment of Claims and Interests under the Plan shall be in full and final satisfaction, compromise, settlement, release, discharge and termination, as of the Effective Date, of all Claims of any nature whatsoever, whether known or unknown, against, and Interests in, the Debtors, any property of the Estates, or any property of Reorganized Holdings, including all Claims of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not: (a) a Proof of Claim or Interest based upon such Claim, debt, right, or Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code, (b) a Claim or Interest based upon such Claim, liability, obligation or Interest is Allowed pursuant to section 502 of the Bankruptcy Code, or (c) the Holder of such a Claim, liability, obligation or Interest has voted to accept the Plan. Except as otherwise provided herein, any default or "event of default" by the Debtors with respect to any Claim or Interest that existed immediately prior to or on account of the filing of these Chapter 11 Cases shall be deemed cured (and no longer continuing) as of the Effective Date

2. *Injunction*

Except as otherwise specifically provided in the Plan or the Confirmation Order, all Persons or Entities who have held, hold or may hold (a) Claims or Interests that arose prior to the Effective Date, (b) Causes of Action that are subject to exculpation pursuant to Section 10.5 of the Plan (but only to the extent of the exculpation provided in Section 10.5 of the Plan), or (c) Claims, Interests or Causes of Action that are otherwise discharged, satisfied, stayed or terminated pursuant to the terms of the Plan and all other parties-in-interest seeking to enforce such Claims, Interests or Causes of Action are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim (including a Subordinated Claim) against or Interest in the Debtors or Reorganized Holdings, or property of any Debtors or Reorganized Holdings, other than to enforce any right to a distribution pursuant to the Plan, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtors or Reorganized Holdings or property of any Debtors or Reorganized Holdings with respect to any such Claim or Interest, other than to enforce any right to a distribution pursuant to the Plan, (iii) creating, perfecting or enforcing any Lien or encumbrance of any kind against the Debtors or Reorganized Holdings, or against the property or interests in property of the Debtors or Reorganized Holdings with respect to any such Claim or Interest, other than to enforce any right to a distribution pursuant to the Plan, or (iv) asserting any right of setoff (except for setoffs validly exercised prepetition) or subrogation of any kind against any obligation due from the Debtors or Reorganized Holdings, or against the property or interests in property of the Debtors or Reorganized Holdings, with respect to any such Claim or Interest. Such injunction shall extend to any successors or

assignees of the Debtors or Reorganized Holdings and its respective properties and interests in properties.

3. *Exculpation*

Effective as of the Effective Date, to the extent permitted under section 1125(e) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, no Exculpated Party shall have or incur liability for, and each Exculpated Party is exculpated from any Cause of Action related to any act or omission taking place between the Petition Date and the Effective Date, in connection with, relating to, or arising out of, the Chapter 11 Cases, the filing of the Involuntary Petitions, the formulation, preparation, dissemination, negotiation, or filing of the Plan, this Disclosure Statement, the Plan Supplement, the Rights Offering Procedures, or any transaction under the Plan, contract, instrument, or document or transaction approved by the Bankruptcy Court in these Chapter 11 Cases, except for (a) any Cause of Action related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted fraud, willful misconduct, or gross negligence of such Person, and (b) any Cause of Action related to any liability of professionals to their clients pursuant to N.Y. Comp. Codes R. & Regs. tit. 22 § 1200.8 Rule 1.8(h)(1).

V. BEST INTERESTS OF CREDITORS

Section 1129(a)(7) of the Bankruptcy Code requires that any holder of an impaired claim or interest voting against a proposed plan of reorganization must be provided in the plan with a value, as of the effective date of the plan, at least equal to the value that the holder would receive if the debtors' assets were liquidated under chapter 7 of the Bankruptcy Code. To determine what holders of claims and interests in each impaired class would receive if the debtors' assets were liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from a liquidation of the debtors' assets in the context of a hypothetical liquidation. Such a determination must take into account the fact that secured claims, and any administrative claims resulting from the original chapter 11 cases and from the chapter 7 cases, would have to be paid in full from the liquidation proceeds before the balance of those proceeds were made available to pay unsecured creditors and make distributions (if any) to holders of interests.

[In support of the Plan Proponents' belief that Holders of Claims in each impaired Class will receive more under the Plan than if the Debtors' assets were liquidated, the Plan Proponents will file a liquidation analysis as an appendix to this Disclosure Statement at a later date, but prior to any Bankruptcy Court approved solicitation of the Plan (the "Liquidation Analysis"), which will be prepared by the Plan Proponents. The Liquidation Analysis will assume that the Chapter 11 Cases were converted to chapter 7 cases and that each Debtors' assets are liquidated under the direction of a chapter 7 trustee.]

[THESE LIQUIDATION VALUES HAVE BEEN PREPARED SOLELY FOR USE IN THIS DISCLOSURE STATEMENT AND DO NOT REPRESENT VALUES THAT ARE APPROPRIATE FOR ANY OTHER PURPOSE. NOTHING CONTAINED

IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION BY OR ADMISSION OF ANY DEBTOR FOR ANY PURPOSE.]

[The assumptions used in developing the Liquidation Analysis are inherently subject to significant uncertainties and contingencies. Accordingly, there can be no assurances that the values assumed in the Liquidation Analysis would be realized if the Debtors were actually liquidated. In addition, any liquidation would take place in the future at which time circumstances may exist that cannot presently be predicted. A description of the procedures followed and the assumptions and qualifications made by the Plan Proponents in connection with the Liquidation Analysis will be set forth in the notes thereto.]

VI. VALUATION AND FINANCIAL PROJECTIONS[29]

A. [Feasibility]

[In connection with confirmation of the Plan, the Bankruptcy Court must determine that the Plan is feasible in accordance with section 1129(a)(11) of the Bankruptcy Code (which section requires that confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors).]

[The Plan provides Reorganized Holdings with a substantial infusion of capital from the proceeds of the Rights Offering. This capital will allow the Debtors to emerge from bankruptcy upon the Effective Date of the Plan and satisfy Allowed Claims as provided for in the Plan. Accordingly, the Plan Proponents believe that all Plan obligations will be satisfied without the need for further reorganization of the Debtors.]

B. [Valuation]

VII. SOLICITATION PROCEDURES AND DEADLINES

A. Solicitation Packages

The Plan Proponents are causing solicitation package (the "Solicitation Packages") to be distributed to Holders of Claims entitled to vote on the Plan. Such Solicitation Packages include:

(i) a cover sheet from the Plan Proponents describing the contents of such Solicitation Package; a notice of the hearing to confirm the Plan (the "Confirmation Hearing Notice");
(ii) this Disclosure Statement with the Plan annexed thereto;
(iii) the order of the Bankruptcy Court approving the Disclosure Statement Approval Motion, entered on [•] [•], 2024 [Docket No. [•]] (the "Disclosure Statement Approval Order"), excluding

[29] [Subject to ongoing review and discussion]

the exhibits attached thereto, approving the procedures for soliciting votes with respect to the Plan and dates and deadlines related to the Bankruptcy Court's approval of the Plan (referred to as "Confirmation");

(iv) a personalized ballot to cast a vote on the Plan (each, a "Ballot"); and

(v) any supplemental solicitation materials the Plan Proponents may file with the Bankruptcy Court.[30]

Holders of Claims not entitled to vote on the Plan (the "Non-Voting Classes") will receive only the Confirmation Hearing Notice, which will provide them notice of such Holder's non-voting status.

Copies of this Disclosure Statement, the Plan, all appendices and exhibits attached thereto and hereto, and all other pleadings filed and orders entered in these Chapter 11 Cases can be obtained by (a) accessing the Bankruptcy Court's website by visiting www.nysb.uscourts.gov for a fee (note that a PACER password is required); or (b) by contacting the Office of the Clerk of the Bankruptcy Court.

B. Voting Procedures and Voting Deadline

The rules, requirements, and procedures regarding the submission of your Ballot are set forth in the Disclosure Statement Approval Order and the Ballot and are summarized below for your convenience.

After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by voting in favor of (i.e., to accept) or against the Plan (i.e., to reject) on the Ballot. **To be counted, your Ballot must be duly completed, executed, and actually received by 5:00 p.m. (prevailing Eastern Time) on [•], 2024 (the "Voting Deadline"). Ballots may either be delivered (a) electronically to the following email address: eletsonballots@teamtogut.com or (b) by paper copy to the Plan Proponents' counsel at the following address: Togut, Segal & Segal LLP, One Penn Plaza, Suite 3335, New York, New York 10119, Attn: Kyle J. Ortiz, Esq., Bryan M. Kotliar, Esq., and Leila Ebrahimi, Esq.**

BALLOTS MUST BE DELIVERED BY MAIL, COURIER, OR DELIVERY SERVICES OR ELECTRONICALLY BY EMAIL. FACSIMILE BALLOTS WILL NOT BE ACCEPTED. ANY COMPLETED BALLOTS THAT DO NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN OR THAT CONTAIN BOTH AN ACCEPTANCE AND REJECTION OF THE PLAN WILL NOT BE COUNTED.

Ballots not timely submitted by the Voting Deadline (or such other deadline as ordered by the Bankruptcy Court or agreed to by the Plan Proponents, in their sole discretion) may be considered invalid.

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[30] Instructions on how to vote is included with the Solicitation Package and is described below.

If you have any questions about how to vote, the Solicitation Package you receive, or the amount of your claim, or if you wish to receive additional copies of the Plan, this Disclosure Statement, or any exhibits or appendices thereto or hereto, please contact:

Email:	eletsonballots@teamtogut.com
Phone:	(212) 594-5000 (US TOLL FREE)

C. Confirmation Hearing and Deadline for Objections to Plan Confirmation

The Plan Proponents intend to seek the Bankruptcy Court's Confirmation of the Plan. The Bankruptcy Court has scheduled a hearing to consider Confirmation of the Plan for **[•], 2024 at [•] a.m. / p.m (prevailing Eastern Time) (the "Confirmation Hearing").** The Plan Proponents may adjourn the Confirmation Hearing by filing a notice on the docket of the Chapter 11 Cases or by announcing an adjournment on the record of a hearing or status conference held with the Bankruptcy Court.

Any objections to Confirmation of the Plan must be filed with the Bankruptcy Court and served on the parties indicated in the boxes immediately below by no later than [•] **a.m. / p.m. (prevailing Eastern Time) on [•], 2024 (the "Objection Deadline").** Unless an objection to Confirmation is timely filed and served, such objection may not be considered by the Bankruptcy Court at the Confirmation Hearing. Such objection must be filed with the Bankruptcy Court and served so that it is **actually received** by the Bankruptcy Court and the following persons by no later than the Objection Deadline:

Counsel for Petitioning Creditors	Togut, Segal & Segal LLP One Penn Plaza, Suite 3335 New York, New York 10119 Attn: Kyle J. Ortiz, Esq. (kortiz@teamtogut.com) and Bryan M. Kotliar, Esq. (bkotliar@teamtogut.com)
Counsel for the Creditors' Committee	Dechert LLP 1095 Avenue of Americas New York, NY 10036 Attn: Stephen Zide, Esq. (stephen.zide@dechert.com) and David Herman, Esq. (david.herman@dechert.com)
The U.S. Trustee	Office of the United States Trustee – NYO Department of Justice Alexander Hamilton Custom House One Bowling Green New York, NY 10004

	Attn: Daniel Rudewicz, Esq. (Daniel.Rudewicz@usdoj.gov)

VIII. RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN SHOULD READ AND CAREFULLY CONSIDER THE FOLLOWING FACTORS, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE PLAN (INCLUDING THEIR RESPECTIVE EXHIBITS / APPENDICES), BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. THIS INFORMATION, HOWEVER, DOES NOT DESCRIBE THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

The statements contained in this Disclosure Statement are made by the Plan Proponents as of the date hereof unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Plan Proponents have no duty to update this Disclosure Statement except as may be required by applicable law.

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

The contents of this Disclosure Statement should not be construed as legal, business, or tax advice, and nothing contained in the Plan will constitute an admission of, or be deemed evidence of, the tax or other legal effects of the Plan on the Plan Proponents or on Holders of Claims. Each Holder of a Claim should consult his, her, or its own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its Claim. This Disclosure Statement may not be relied upon for any purpose other than to determine whether to vote to accept the Plan.

A. Certain Bankruptcy Considerations

1. *Failure to Confirm the Plan*

If the Plan is not confirmed and consummated, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to liquidation cases under chapter 7 of the Bankruptcy Code. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan and requires, among other things, that the value of distributions to dissenting creditors and shareholders not be less than the value of distributions such creditors and shareholders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

Although the Plan Proponents believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion or that

modifications of the Plan will not be required for confirmation or that such modifications would not necessitate resolicitation of votes.

2. *The Plan May Not be Accepted by Sufficient Holders of Impaired Claims*

The Plan is subject to a vote of Holders of Impaired Claims in voting Classes and to Confirmation by the Bankruptcy Court. Article VI hereof summarizes the numerous requirements for Confirmation of the Plan, including that the Plan must be accepted by at least one Class of Impaired Claims. The Plan Proponents represent the majority of the holders of the Notes Claims, and are expected to support and vote in favor of the Plan. However, until all votes are collected, there can be no assurance that the requisite acceptances to confirm the Plan will be obtained. Thus, while the Debtors believe that the Plan is confirmable under the standards set forth in section 1129 of the Bankruptcy Code, there is no guarantee that the Plan will be accepted by the requisite Classes entitled to vote on the Plan.

3. *Uncertainty of Extraterritorial Recognition of Plan Confirmation*

The Debtors are incorporated in Liberia and some of their interests are governed by the laws of foreign jurisdictions other than the United States. Although the Plan Proponents will make every effort to ensure that any Confirmation Order entered by the Bankruptcy Court and the steps taken pursuant to the Confirmation Order to implement the Plan are recognized and are effective in all applicable jurisdictions, it is possible that if a creditor or stakeholder were to challenge the Plan, a foreign court may refuse to recognize the effect of the Confirmation Order.

4. *No Assurance of Ultimate Recoveries*

There can be no assurances of the actual recoveries to the Debtors' claimholders. The Plan Proponents cannot assure the Debtors' claimholders that they will be able to resell any consideration received in respect of their claims at current values or at all.

5. *Classification and Treatment of Claims and Interests*

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against the Debtors. The Bankruptcy Code also provides that, except for certain Claims classified for administrative convenience, the Plan may place a Claim in a particular Class only if such Claim is substantially similar to the other Claims of such Class. The Plan Proponents believe that all Claims have been appropriately classified in the Plan.

To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Plan Proponents may seek to (a) modify the Plan to provide for whatever classification might be required for confirmation, and (b) use the acceptances received from any creditor pursuant to the solicitation for the purpose of obtaining the approval of the Class or Classes of which such creditor ultimately is deemed to be a member. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a

reclassification, would approve the Plan based upon such reclassification without requiring the Plan Proponents to resolicit votes.

6. *Nonconsensual Confirmation*

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

7. *Non-Occurrence of Effective Date*

Although the Plan Proponents believe that the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to such timing or as to whether it will occur. Moreover, if the conditions precedent to the Effective Date of the Plan are not met, the Plan may be vacated by the Bankruptcy Court.

8. *Risks of Failure to Satisfy Conditions Precedent*

Article IX of the Plan provides for certain conditions that must be satisfied (or waived) prior to the Confirmation Date and for certain other conditions that must be satisfied (or waived) prior to the Effective Date. Some of the conditions are outside of the Plan Proponents' control. There can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated. If the Plan is not consummated, there can be no assurance that the Chapter 11 Cases would not be converted to chapter 7 liquidation cases or that any new chapter 11 plan would be as favorable to Holders of Claims as the current Plan. Either outcome may materially reduce distributions to Holders of Claims.

9. *Distributions to Holders of Allowed Claims Under the Plan*

Projected distributions are based upon good faith estimates of the total amount of Claims ultimately Allowed and the funds available for distribution. Both the actual amount of Allowed Claims in a particular Class and the funds available for distribution for such Class may differ from the Plan Proponents' estimates. If the total amount of Allowed Claims in a Class is higher than the Plan Proponents' estimates or the funds available for distribution to such Class are lower than the Plan Proponents' estimates, the percentage recovery to holders of Allowed Claims in such Class will be less than projected.

10. *Funding Necessary for the Consummation of the Plan*

The Plan Proponents contemplate that all Cash necessary for Reorganized Holdings to make payments required by the Plan and for post-Confirmation operations shall be obtained from (a) existing Cash held by Reorganized Holdings on the Effective Date, (b) proceeds from the Rights Offering, and (c) the operations of Reorganized Holdings. To the extent the Plan obligates any other Debtor entities to make any payments or Distributions or take any other action under the Plan, the amount of such payments or Distributions or the cost of taking such actions shall be funded solely by Reorganized Holdings.

11. *Future Litigation*

Given the litigious history of these Chapter 11 Cases, there is a risk that new litigation claims may be asserted against Reorganized Holdings or the Backstop Party. Future litigation could result in material judgement(s) against Reorganized Holdings. Such litigation, and any judgement in connection therewith, could have a material negative effect on Reorganized Holdings.

12. *Conversion to Chapter 7*

If the Bankruptcy Court finds that it would be in the best interests of the Holders of Claims, the Bankruptcy Court may convert the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed or elected to liquidate the Debtors' assets for distribution in accordance with the priorities under the Bankruptcy Code. The Plan Proponents believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided in a Chapter 11 plan because of (a) the likelihood that assets would have to be sold in a disorderly fashion over a short period of time, rather than reorganizing or selling the business as a going concern at a later time in a controlled manner, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and claims, including claims resulting from the rejection of certain executory contracts and unexpired leases in connection with the cessation of operations.

B. Risk of Variance in Financial Results

1. *Reorganized Holdings May Not Be Able to Achieve Their Anticipated Financial Results*

Actual financial results may differ materially from anticipated results. If Reorganized Holdings does not achieve projected revenue or cashflow levels, Reorganized Holdings may lack sufficient liquidity to continue operating their business consistent after the Effective Date.

2. *Projections are Subject to Inherent Uncertainty Due to the Numerous Assumptions Upon Which They Are Based*

Unanticipated events and circumstances occurring subsequent to the

approval of this Disclosure Statement and/or Confirmation of the Plan by the Bankruptcy Court may affect the actual financial results of Reorganized Holdings' operations. Actual results achieved may vary from anticipated results.

C. Risks Related to Reorganized Equity Issued Under the Plan

1. *Market for Reorganized Equity*

There is currently no market for the Reorganized Equity and there can be no assurance as to the development or liquidity of any market for such equity. Moreover, while a public listing of the Reorganized Equity may be pursued to be effective on the Effective Date, there can be no assurance that the Reorganized Equity will be listed or traded on any securities exchange or any over-the-counter market on or after the Effective Date. If a trading market does not develop, is not maintained, or remains inactive, holders of the Reorganized Equity may experience difficulty in reselling such Reorganized Equity or may be unable to sell them at all. Even if such a market were to exist, such Reorganized Equity could trade at prices higher or lower than the estimated value set forth in this Disclosure Statement depending upon many factors including, without limitation, prevailing interest rates, markets for similar Reorganized Equity, industry conditions, and the performance of, and investor expectations for, Reorganized Holdings. Accordingly, holders of the Reorganized Equity may bear certain risks associated with holding securities for an indefinite period of time.

Furthermore, persons to whom the Reorganized Equity is issued under the Plan may prefer to liquidate their investments rather than hold such Reorganized Equity on a long-term basis. Accordingly, the market price for such Reorganized Equity could decline and any market that does develop for such Reorganized Equity may be volatile.

2. *Potential Dilution*

The ownership percentage represented by the Reorganized Equity distributed under the Plan as of the Effective Date to the applicable Eligible Holders of Equity / Cash Option Claims that elect to exercise Rights Offering Subscription Rights shall be subject to dilution from the Rights Offering, the Backstop Premium, and the EIP. In the future, additional equity financings or other equity issuances by Reorganized Holdings may dilute the economic and voting rights of its existing Holders and could materially adversely affect the value of the Reorganized Equity.

3. *A Small Number of Holders Will Own a Significant Percentage of the New Common Stock*

Consummation of the Plan will result in a small number of Holders owning a significant percentage of the Reorganized Equity. Accordingly, these Holders may, among other things, have significant influence over the business and affairs of Reorganized Holdings.

D. Additional Factors

1. *Certain Information Herein Was Provided by the Debtors and Relied Upon by the Plan Proponents' Advisors*

Counsel to and other advisors retained by the Plan Proponents have relied upon information provided by the Debtors, as well as information obtained from discovery, in connection with the preparation of this Disclosure Statement and the Plan. Although counsel to and other advisors retained by the Plan Proponents have attempted to verify the information contained herein, certain statements rely on documents and representations received from the Debtors. The Debtors' records are incomplete, and the Debtors' and certain other parties did not fully comply with discovery requests. Although the Plan Proponents have undertaken great efforts to provide accurate and complete information in this Disclosure Statement, the Plan Proponents cannot warrant or represent that the information contained herein is complete and accurate.

The statements contained in this Disclosure Statement are made by the Plan Proponents as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Plan Proponents have used their reasonably diligent efforts to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Plan Proponents nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement.

The financial information contained in this Disclosure Statement has not been audited unless explicitly stated otherwise. In preparing this Disclosure Statement, the Plan Proponents have relied predominantly on financial data derived from the Debtors' books and records that was available at the time of such preparation, together with information gathered through discovery. While the Plan Proponents believe that the financial information received from the Debtors' and relied upon in preparing this Disclosure Statement fairly reflects the financial condition of the Debtors, the Plan Proponents are unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

2. *No Admissions Are Made by this Disclosure Statement*

The information and statements contained in this Disclosure Statement will neither constitute an admission of any fact or liability by the Plan Proponents nor be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or any other parties in interest. Except as otherwise provided in the Plan, the vote by a Holder of an Allowed Claim for or against the Plan does not constitute a waiver or release of any Claims or rights of the Plan Proponents to object to that Holder's Claim, or recover any preferential, fraudulent or other voidable transfer or assets, regardless of whether any Claims or Causes of Action of the Debtors or their estates are specifically or generally identified herein.

In addition, no reliance should be placed on the fact that a particular litigation Claim or projected objection to a particular Claim is, or is not, identified in this Disclosure Statement. The Plan Proponents may seek to investigate, file, and prosecute objections to Claims and may object to Claims after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or objections to Claims.

IX. CERTAIN SECURITIES LAW MATTERS

A. Issuance of the Reorganized Equity Under Section 1145 of the Bankruptcy Code and Backstop Premium Exemption

Except as expressly provided herein, all Reorganized Equity and Rights Offering Subscription Rights issued upon exercise of the Rights Offering Subscription Rights will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon either (1) section 1145 of the Bankruptcy Code or (2) section 4(a)(2) of the Securities Act or Regulation D or Regulation S promulgated thereunder.

The Reorganized Equity and Rights Offering Subscription Rights issued upon exercise of the Rights Offering Subscription Rights offered to Eligible Holders of Equity / Cash Option Claims on account of their respective Claims and in connection with the Rights Offering are expected to be issued without registration under the Securities Act or any similar federal, state, or local law in reliance on section 1145(a) of the Bankruptcy Code.

The Reorganized Equity issued on account of the Backstop Premium are expected to be issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder.

In general, securities issued under section 1145 of the Bankruptcy Code may be resold without registration unless the recipient is an "underwriter" with respect to those securities. The Rights Offering Subscription Rights and the Reorganized Equity issued pursuant to the exemption from registration set forth in section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be considered "restricted securities" and may not be transferred except pursuant to an effective registration statement under the Securities Act or an available exemption therefrom.

B. Resale of Reorganized Equity; 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": (1) 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; (2) offers to sell securities offered or sold under a plan for the holders of such securities; (3) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (a) with a view to distribution of such securities and (b) 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 (4) 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. In addition, 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 the Reorganized Equity 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 Reorganized Equity who are deemed to be "underwriters" may be entitled to resell their Reorganized Equity pursuant to the limited safe harbor resale provisions of Rule 144 promulgated under the Securities Act. Generally, Rule 144 promulgated under 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 Reorganized Equity, as applicable, would depend upon various facts and circumstances applicable to that Person. Accordingly, the Plan Proponents express no view as to whether any Person would be deemed an "underwriter" with respect to the Reorganized Equity and, in turn, whether any Person may freely resell their Reorganized Equity.

Unlike the securities that will be issued pursuant to section 1145(a)(1) of the Bankruptcy Code, any Reorganized Equity issued in reliance upon section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder will be deemed "restricted securities" that may not be offered, sold, exchanged, assigned, or otherwise transferred unless they are registered under the Securities Act or an exemption from registration under the Securities Act is available, including under Rule 144 or Rule 144A promulgated under the Securities Act.

Rule 144 provides an exemption for the public resale of "restricted securities" if certain conditions are met. These conditions vary depending on whether

the holder of the restricted securities is an affiliate of the issuer. An affiliate is defined as "a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the issuer."

A non-affiliate who has not been an affiliate of the issuer during the preceding three months may resell restricted securities after a six-month holding period if at the time of the sale there is available certain current public information regarding the issuer, and may sell the securities after a one-year holding period whether or not there is current public information regarding the issuer. Adequate current public information is available for a reporting issuer if the issuer has filed all periodic reports required under section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the twelve months preceding the sale of the restricted securities. If the issuer is a non-reporting issuer, adequate current public information is available if certain information about the issuer is made publicly available. The Plan Proponents can provide no assurances that Reorganized Holdings will continue to be a reporting issuer or that current public information will be available to allow resales by non-affiliates when the six-month holding period expires (approximately six months after the emergence date).

An affiliate may resell restricted securities after the six-month holding period if at the time of the sale certain current public information regarding the issuer is available and may resell the securities after a one-year holding period whether or not there is current public information regarding this issuer, subject in each case to the additional requirements below. As noted above, the Plan Proponents can provide no assurances that this information requirement will be satisfied. The affiliate must also comply with the volume, manner of sale, and notice requirements of Rule 144. First, the rule limits the number of restricted securities (plus any unrestricted securities) sold for the account of an affiliate (and related persons) in any three-month period to the greater of one percent of the outstanding securities of the same class being sold, or, if the class is listed on a stock exchange, the greater of one percent of the average weekly reported volume of trading in such restricted securities during the four weeks preceding the filing of a notice of proposed sale on Form 144. Second, the manner of sale requirement provides that the restricted securities must be sold in a broker's transaction, which generally means they must be sold through a broker and handled as a routine trading transaction. The broker must receive no more than the usual commission and cannot solicit orders for the sale of the restricted securities except in certain situations. Third, if the sale in any three-month period exceeds 5,000 restricted securities or has an aggregate sale price greater than $50,000, an affiliate must file with the SEC three copies of a notice of proposed sale on Form 144. The sale must occur within three months of filing the notice unless an amended notice is filed.

The Plan Proponents believe that the Rule 144 exemption will not be available with respect to any Reorganized Equity issued in reliance upon section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder (whether held by non-affiliates or affiliates) until at least six months after the Effective Date. Accordingly, holders of such Reorganized Equity will be required to hold such Reorganized Equity for at least six months and, thereafter, to sell Reorganized Equity only in accordance with the applicable requirements of Rule 144, unless such Reorganized Equity is

transferred pursuant to an effective registration statement or another available exemption from the registration requirements of the Securities Act.

The Reorganized Equity issued in connection with the Backstop Premium pursuant to Section 4(a)(2) and/or Regulation D will be issued in book-entry form and will bear a restrictive legend. Each book-entry representing, or issued in exchange for or upon the transfer, sale, or assignment of, any such shares shall be stamped or otherwise imprinted with a legend in substantially the following form:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON [DATE OF ISSUANCE], HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY OTHER APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN AVAILABLE EXEMPTION FROM REGISTRATION THEREUNDER."

Reorganized Holdings reserves the right to require certification or other evidence of compliance with Rule 144 or another available exemption as a condition to the removal of such legend or to any resale of the Reorganized Equity issued in connection with the Backstop Premium pursuant to Section 4(a)(2) and/or Regulation D. Reorganized Holdings also reserves the right to stop the transfer of any such shares if such transfer is not in compliance with Rule 144 or another available exemption. Any person who receives such shares will be required to acknowledge and agree not to resell such securities except in accordance with Rule 144, when available, or another available exemption and that the securities will be subject to the other restrictions described above.

ANY PERSONS RECEIVING "RESTRICTED SECURITIES" UNDER THE PLAN ARE URGED TO CONSULT WITH THEIR OWN COUNSEL CONCERNING THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION FOR RESALE OF THESE SECURITIES UNDER THE SECURITIES ACT AND OTHER APPLICABLE LAW.

BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN UNDERWRITER OR AN AFFILIATE AND THE HIGHLY FACT-SPECIFIC NATURE OF THE AVAILABILITY OF EXEMPTIONS FROM REGISTRATION UNDER THE SECURITIES ACT, INCLUDING THE EXEMPTIONS AVAILABLE UNDER SECTION 1145 OF THE BANKRUPTCY CODE AND RULE 144 UNDER THE SECURITIES ACT, NONE OF THE PLAN PROPONENTS OR REORGANIZED HOLDINGS MAKE ANY REPRESENTATION CONCERNING THE ABILITY OF ANY PERSON TO DISPOSE OF THE SECURITIES TO BE DISTRIBUTED UNDER THE PLAN. POTENTIAL RECIPIENTS OF THE SECURITIES TO BE ISSUED UNDER THE PLAN ARE URGED TO CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES. POTENTIAL RECIPIENTS OF REORGANIZED EQUITY ARE URGED TO CONSULT THEIR OWN COUNSEL CONCERNING THEIR ABILITY TO FREELY TRADE SUCH SECURITIES WITHOUT COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND ANY APPLICABLE STATE LAW.

X. CONCLUSION AND RECOMMENDATION

The Plan Proponents believe that Confirmation and implementation of the Plan is preferable to any other alternative. The Plan Proponents urge all Holders of Claims entitled to vote to cast their Ballots to accept the Plan in accordance with the instructions provided herein and in the Solicitation Packages.

[*Signature Page Follows*]

Dated: March 26, 2024
New York, New York

Respectfully submitted,

TOGUT, SEGAL & SEGAL LLP

/s/ Kyle J. Ortiz
Kyle J. Ortiz
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Counsel for the Petitioning Creditors

APPENDIX A

Petitioning Creditors' Joint Chapter 11 Plan of Reorganization of Eletson Holdings Inc. and its Affiliated Debtors

[to be attached separately]

APPENDIX B

Corporate Organization Chart

[To be filed at a later date]