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

In re:	§	Chapter 11
ZACHRY HOLDINGS, INC., *et al.*,[1]	§	Case No. 24-90377 (MI)
Debtors.	§	(Jointly Administered)

STATEMENT OF THE STATUTORY UNSECURED CLAIMHOLDERS' COMMITTEE REGARDING THE MODIFIED FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF ZACHRY HOLDINGS, INC. AND ITS DEBTOR AFFILIATES
(Relates to Docket No. 1978)

The Statutory Unsecured Claimholders' Committee (the "Committee") of Zachry Holdings, Inc, *et al.* (the "Debtors"), by and through its undersigned counsel, hereby submits this statement (the "Statement") regarding the *Modified First Amended Joint Chapter 11 Plan of Reorganization of Zachry Holdings, Inc. and its Debtor Affiliates* [Docket No. 1978] (the "Plan").[2] In support hereof, the Committee respectfully states as follows:

STATEMENT

1. Over the past several weeks, the Committee and the Debtors have engaged in vigorous negotiations regarding the treatment of unsecured creditors under the Plan. The Committee is pleased to announce it has reached an agreement in principle with the Debtors on terms of a secured note that will provide for **full recoveries to Holders of Allowed General Unsecured Claims**. In exchange for, among other things, certain amendments to the relevant

[1] The last four digits of Zachry Holdings, Inc.'s tax identification number are 6814. A complete list of each of the Debtors in these chapter 11 cases and the last four digits of their federal tax identification numbers may be obtained on the website of the Debtors' claims and noticing agent at www.kccllc.net/zhi. The location of the Debtors' service address in these chapter 11 cases is: P.O. Box 240130, San Antonio, Texas 78224.

[2] Capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

provisions of the Plan and the term sheet for the note to be issued to General Unsecured Claimholders, the Committee agrees to support confirmation of the Plan.

2. The Committee strongly recommends that General Unsecured Claimholders vote to accept the Plan, as amended, as doing so will promote confirmation of the Plan and the Debtors' swift exit from chapter 11. To that end, the Committee intends to disseminate the letter, attached hereto as **Exhibit A** (the "Letter"), to General Unsecured Claimholders. The Debtors further agreed to assist the Committee in the distribution of the Letter.

3. As amended, the Committee believes the treatment provided to Class 6 under the Plan satisfies the necessary standards of the Bankruptcy Code, and constitutes an economic equivalent to repayment in full. The Committee will continue to support confirmation of the Plan, as long as the Plan contains the terms agreed to by the Committee and the Debtors.

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Respectfully submitted this 11th day of February, 2025.

GRAY REED

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 11th day of February, 2025, he caused a true and correct copy of the foregoing document to be served via the Court's CM/ECF system.

/s/ Jason S. Brookner
Jason S. Brookner

Exhibit A

Letter

Statement of the Statutory Unsecured Claimholders' Committee
In Support of Zachry's Proposed Plan of Reorganization

February 11, 2025

To Holders of General Unsecured Claims in Class 6:

The Statutory Unsecured Claimholders' Committee of Zachry Holdings, Inc., *et al*. (the "**Committee**") serves as the fiduciary for General Unsecured Claimholders in the chapter 11 cases of Zachry Holdings, Inc. and certain of its affiliates (collectively, the "**Debtors**"). The Committee writes to **strongly encourage you to:**

VOTE TO *ACCEPT* THIS PLAN

You should carefully read all the materials that accompany this letter (as it may be supplemented, the "**Letter**"), including the instructions for completing and mailing your Ballot. All Ballots must be **received** by the Claims and Noticing Agent by **February 20, 2025 at 4:00 p.m. (prevailing Central Time) (the "Voting Deadline")** to be counted.

THE PLAN WOULD PROVIDE YOU WITH PAYMENT IN FULL

In the Committee's previous letter to you, we advised you that the Committee had not yet reached an agreement with the Debtors. Since that time, the Committee vigorously negotiated on behalf of all General Unsecured Claimholders to reach a settlement on your plan treatment.[1] We are pleased that, after collaborating with the Debtors and their professionals, we have agreed on terms that represent a good outcome for you and all General Unsecured Claimholders.

The Plan[2] treats holders of General Unsecured Creditors in one of three different ways, all of which represent **payment in full**:

1. Approximately $71.10 million of General Unsecured Claims consist of (i) priority and section 503(b)(9) claims, (ii) cure claims, or (iii) WARN settlement claims. Holders of these claims will be paid in full, in cash, on the effective date of the Plan unless they agree to a different treatment.

2. Approximately $4.10 million of these claims are for $25,000 or less. They will be treated as "Convenience Claims" and will receive a cash distribution of the full Allowed amount of such Claims, up to $25,000 on the effective date of the Plan. If you hold a claim in excess of $25,000, you may elect on your ballot to reduce your claim to $25,000 and receive the Convenience Claim treatment.

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[1] The Committee continues to work with the Debtors on conforming terms of the Plan and related documents. The settlement is contingent on a mutual agreement between the Committee and the Debtors on these documents.

[2] Capitalized terms used but not otherwise defined have the meaning given to them in *Modified First Amended Joint Chapter 11 Plan of Reorganization of Zachry Holdings, Inc. and its Debtor Affiliates* [Docket No. 1978] (the "Plan"). Claim amounts listed are based on the Debtors' Disclosure Statement.

3. The remaining claims, in the estimated amount of approximately $57.40 million, will receive a secured note equal to the full amount of their claim ***plus*** postpetition interest at the federal judgement rate.

While the Committee does not have sufficient information to determine which of the three categories your claim(s) may fall into, we believe that each offers a full 100% recovery on your claim.

TERMS OF THE SECURED NOTE

The terms of the secured note have been published in an amended plan supplement filed by the Debtors at Docket Number 2122-1 and is available at **http://www.veritagloba.net/zhi**. At a high level, these terms include:

- Issuer: Zachry Holdings, Inc.,
- Guarantors: All Debtors and any subsidiaries of the Company that guarantee the treatment to the prepetition lenders under the A&R Credit Facility
- Security: Substantially all of the Debtors' assets, in a junior position to the Debtors' prepetition lenders and a certain major vendor
- Maturity: The first business day following the date that is 91 days after the Exit Revolving Maturity Date (estimated at July 1, 2028)
- Interest: 15% per annum (paid 7.5% in cash and 7.5% paid in kind).[3]
- Transferability of Notes: The parties will negotiate in good faith to implement a structure that will provide, in certain circumstances, for transferability of the note.

The Committee considers obtaining a secured note bearing a substantial interest rate to be an exceptional outcome. This structure significantly enhances the position of prepetition unsecured creditors by elevating them to secured status, granting them priority over future unsecured debt. Moreover, the Committee's financial advisors have determined that the note is well-collateralized, providing a substantial equity cushion that minimizes the risk of future default.

The secured note will accrue interest at a rate of 15%, which the Committee believes is attractive and market for this type of secured instrument. 7.5% of the interest will be paid in cash on a quarterly basis, while the remaining 7.5% will be "paid in kind," and will be added to the principal amount of the note each quarter. As a result, the note will accrue interest on a compound basis.

[3] Accrued and unpaid interest shall be paid as follows: (a) paid in cash at the Cash Rate on the last day of each calendar quarter and (b) paid in kind at the PIK Rate by adding such amounts to the outstanding principal balance of the Note on the last day of each calendar quarter and shall thereafter be deemed part of the outstanding principal amount of the Note and shall bear interest in accordance with the terms of the Note.

The secured note will mature 91 days after the Debtors' post-confirmation senior secured debt is fully repaid, which the Committee expects to happen no later than July 1, 2028. No principal payments will be required until that time.

The Committee recognizes that unsecured claimholders will be impaired, as their claims will not be paid in full for over three years. However, the Committee believes that the Secured Note offers unsecured claimants a full recovery at par value. Further, the Committee believes there is a likelihood that, given the terms of the Secured Note (as negotiated with the Committee), the Court would reject any objection arguing that the recovery for Class 6 (the Plan's class of general unsecured claims) fails to meet the requirements of the Bankruptcy Code. Therefore, the Committee believes Class 6 claimholders would be better off accepting this proposed treatment.

Given the above, the Committee's professionals are collaborating with the Debtors to make the note transferable under certain conditions. This would enable creditors seeking immediate payment to sell or trade their notes before maturity, subject to applicable securities law exemptions.

WHY VOTE IN FAVOR OF THIS PLAN?

This is an incredible and rare result for unsecured creditors. In most bankruptcy cases, unsecured creditors recover little to nothing due to their lower priority compared to secured and statutorily preferred claims. Here, however, the Debtors are proposing full repayment to unsecured creditors—and for those receiving the secured note, repayment with postpetition interest. This reflects the Debtors' recognition of the importance of maintaining goodwill with unsecured creditors, many of whom they hope to continue working with on future projects.

This remarkable result follows the theme of maximizing unsecured creditor recoveries seen throughout the Debtors' bankruptcy cases. The Debtors, the Committee, and the GPX Settlement Parties successfully negotiated the GPX Settlement, which paved the way for payment of substantially all prepetition unsecured claims in connection with the GPX Project. Through the GPX Settlement, as well as ensuring the payment of "critical vendors" and other third-party payments, approximately $610 million of unsecured claims have been satisfied, and only approximately $132 million in unsecured claims remain outstanding, according to the Disclosure Statement. The remaining $132 million will be treated under the Plan as described above.

The Committee believes the Debtors will exit bankruptcy as a viable and thriving business. The Committee has reviewed the Debtors' financial projections and their proposed postpetition debt structure, and is confident the Debtors will have the ability to make the payments to unsecured creditors contemplated in the Plan. Class 6 voting in favor of the Plan will further ensure the Debtors' viability by causing the Debtors' efficient exit from bankruptcy.

HOW DO I VOTE ON THIS PLAN?

You should have received a ballot to vote on the Plan via mail. You can vote by either filling out this ballot and returning it to the designated address, or by voting online pursuant to the instructions contained in the ballot. If you did not receive a ballot, or are otherwise having trouble voting, please either (a) call the hotline at (866) 479-8211 (US and Canada) or +1 (781) 575- 2037 (International), or (b) submit an inquiry form at www.veritaglobal.net/zhi/inquiry. You can also email ZHIinfo@veritaglobal.com

YOUR VOTE MATTERS

The Debtors must obtain approval of the Plan by the Bankruptcy Court for the Debtors to be authorized to make plan distributions and issue the secured note. The Plan cannot be approved unless the Debtors obtain approval by at least one impaired accepting class of creditors. If your class (that is, Class 6 General Unsecured Claimholders) does not vote in favor of the Plan, the Plan might not be confirmed, and the Debtors' exit from bankruptcy could be materially delayed. In such a circumstance, there is no guarantee the Debtors will be able to provide the same recoveries in a subsequent plan. For these reasons, the Committee strongly recommends all unsecured creditors vote in favor of confirming that Plan.

Finally, the Committee would like to ensure unsecured creditors are aware of the Third-Party Releases contained in the Plan. Any party who does not wish to be subject to these releases must affirmatively "opt-out" when submitting its Ballot. While the Committee does not have a specific recommendation on whether to opt out, **all parties in interest should be aware a failure to opt-out will result in that party being subject to the Third-Party Releases contained in the Plan.**

More information about the Plan and voting procedures can be found on the Committee's website: **https://www. veritaglobal.net/zachrycommittee**

The positions taken by the Committee in this Letter are those of the Committee and/or its advisors and have not been endorsed by the Bankruptcy Court. Each creditor (including individual members of the Committee) must make its own independent decision as to whether or not the Plan is acceptable to that creditor and should consult with its own legal and/or financial advisor(s) before voting to accept or reject the Plan and determining whether to opt-out of the Third-Party Releases.

WE URGE YOU TO CAREFULLY READ THE DISCLOSURE STATEMENT AND THE PLAN. THE DESCRIPTION OF THE PLAN IN THIS LETTER IS INTENDED TO BE ONLY A SUMMARY.

THIS COMMITTEE LETTER MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE COMMITTEE'S VIEWS ON HOW TO VOTE ON THE PLAN, AND THE INFORMATION CANNOT BE RELIED UPON FOR ANY OTHER PURPOSE. THE COMMITTEE DOES NOT GUARANTEE ANY PARTICULAR RESULT IN THE DEBTORS' CHAPTER 11 CASES.

THIS LETTER DOES NOT CONSTITUTE, AND SHALL NOT BE CONSTRUED AS, LEGAL ADVICE OR A SOLICITATION BY ANY INDIVIDUAL MEMBER OF THE COMMITTEE.

Respectfully,

The Statutory Unsecured Claimholders' Committee