IMPORTANT INFORMATION FOR HOLDERS OF UNSECURED CLAIMS IN THE ELETSON BANKRUPTCY CASES

FROM: **THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

RE: **VOTING ON THE CHAPTER 11 PLANS**

You have been provided with a ballot to vote to accept or reject one or more of the three proposed chapter 11 plans for Eletson and to rank your preferences among them. The three competing chapter 11 plans for Eletson are: (1) the Debtors' Plan, (2) the PC Plan, and (3) the PC Alternative Plan.

The Official Committee of Unsecured Creditors of Eletson Holdings Inc., *et al.*, has prepared this letter to assist you in your voting decision and to provide you the Committee's analysis and recommendations on the three chapter 11 plans. The letter has four sections.

- Section 1 describes the role of the Committee.
- Section 2 provides the Committee's overview of the three proposed plans.
- Section 3 sets forth the Committee's recommendations for voting on the plans.
- Section 4 provides additional information and contact information for the Committee's professionals.

This letter also includes five annexes with additional, more detailed information.

- Annex 1 includes a summary and analysis of each chapter 11 plan.
- Annex 2 provides the Committee's analysis of hypothetical recoveries for creditors under the plans.
- Annex 3 provides a comparison of the Debtors' Plan with the PC Alternative Plan (which are structurally similar).
- Annex 4 provides a summary of the defects the Committee has identified with the Debtors' Plan.
- Annex 5 provides the Committee's feasibility analysis with respect to each plan (showing that the Debtors' Plan is likely underfunded).

We encourage you to read the rest of this letter and its accompanying annexes before voting on the plans. As set forth in greater detail below, the Committee recommends that creditors reject the Debtors' Plan; as for the PC Plan and PC Alternative Plan, your preferred plan may depend on your type of claim and whether you want cash or to be part owner of the reorganized Eletson.

The Disclosure Statements and the exhibits attached thereto contain financial analyses and other information supporting the Debtors' and Petitioning Creditors' views as to creditors' recoveries under their respective plans. The financial analyses contained herein are based on the Committee's own analysis.

I. The Committee

The Debtors are currently in bankruptcy proceedings in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Committee was appointed in the bankruptcy proceedings by the Office of the United States Trustee, a division of the U.S. Department of Justice. It is designated by law as a fiduciary to represent the interests of all creditors with unsecured claims against Eletson Holdings, Eletson Finance (US) LLC, and Agathonissos Finance LLC, which are collectively referred to as the "Debtors." As a fiduciary, the Committee is charged with acting in the best interests of all unsecured creditors.

Under the U.S. Bankruptcy Code, the Committee is authorized to investigate the acts, conduct, assets, liabilities, and financial condition of the debtor and any other matter relevant to the bankruptcy case or to the formulation of a bankruptcy plan. The Committee also is authorized to participate in the formulation of a plan and to advise unsecured creditors of the Committee's determinations as to any plan that has been formulated.

To assist it in its duties, the Committee was authorized by the Bankruptcy Court to hire lawyers and financial advisors. The Committee hired, with the Bankruptcy Court's approval, Dechert LLP (as counsel) and FTI Consulting (as financial advisor). With the assistance of those advisors, the Committee has performed an analysis of the three plans that are now presented to creditors for a vote. The Committee also has engaged in negotiations with the proponents of those plans to improve the plans for the benefit of unsecured creditors. Notwithstanding these negotiations, certain of the proponents of these plans do not agree with the assertions and assumptions underlying the Committee's analysis.

II. The Plans

This package contains three plans for you to evaluate and vote on. Two of those plans have been proposed by creditors who initiated this bankruptcy case (the "Petitioning Creditors" or "PC"). The other plan has been proposed by the Debtors themselves. The formal names of the plans are:

- The "PC Plan": *Petitioning Creditors' Amended Joint Chapter 11 Plan of Reorganization of Eletson Holdings Inc. and Its Affiliated Debtors*, dated June 6, 2024 [Docket No. 740] (as may be amended from time to time).

- The "PC Alternative Plan": Petitioning Creditors' Alternative Chapter 11 Plan of Eletson Holdings Inc. and Its Affiliated Debtors, dated June 17, 2024 [Docket No. 801] (as may be amended from time to time).

- The "Debtors' Plan": *Second Amended Joint Plan of Reorganization of Debtors Under Chapter 11 of the United States Bankruptcy Code*, dated June 14, 2024 [Docket No. 786] (as may be amended from time to time).

The Committee's advisors have prepared a summary and analysis of each chapter 11 plan, which can be found on Annex 1.

The Committee's advisors have also prepared an analysis of the likely recoveries for creditors under all three plans, which can be found on Annex 2.

You have been asked to vote on those plans. As you will see in the enclosed ballot, you may vote to accept or reject each of the three plans. You may vote on any one of the three plans, all of the three plans, or none of the three plans.

If you vote to accept more than one plan, you may select which one of those three plans you prefer over the others.

The three plans fall into two categories: (A) two plans that distribute the equity of Eletson to plan proponents in exchange for contributions to the Debtors' estates; and (B) one plan that gives unsecured creditors a portion of the equity in Eletson.

- Plans that distribute equity in Eletson: The Debtors' Plan and the PC Alternative Plan distribute the equity of the Debtors to plan funders in exchange for contributions to the estates, propose to provide distributions of cash to creditors and provide certain creditors with interests in a litigation trust. The Debtors' Plan provides that Eletson's equity will be distributed to its existing shareholders in exchange for a contribution of cash and a contribution of litigation recoveries against Levona. The PC Alternative Plan provides that Eletson's equity will be distributed to creditor Pach Shemen or its affiliate in exchange a contribution of cash and a contribution of cash equal to litigation recoveries against Levona. These two plans are similar in structure and treat classes of creditors in a similar fashion. A more detailed comparison of the PC Alternative Plan to the Debtors' Plan can be found in **Annex 3**.

- Plan that offers stock to creditors: The PC Plan provides most creditors with a portion of stock in the post-bankruptcy Eletson business, and provides most creditors with the option to invest new money in Eletson and receive a larger ownership stake in the business through a rights offering ("Rights Offering"). Creditors are also offered convenience class treatment and a cash-out option to receive cash instead of stock under this plan.

In addition to providing cash or stock on the effective date, each of the three plans provides certain creditors the potential to recover additional value depending on the outcome of legal claims that may be brought against, among other parties, the Debtors' officers, directors, shareholders, and other affiliates (collectively referred to as the "Insiders"). You may receive additional future value on account of the operations of the business or future sales of assets under the Debtors' Plan and the PC Alternative Plan.

III. The Committee's Voting Recommendations

To simplify creditors' analysis of the three proposed plans, this section of the letter first compares the Debtors' Plan with the PC Alternative Plan because those plans are

structurally similar. As set forth below, the Committee recommends that creditors reject the Debtors' Plan.

This section then compares the PC Alterative Plan with the PC Plan. As set forth below, between these two plans your preferred plan may depend on your type of claim and whether you want cash or to be a part owner of the reorganized Eletson.

A. The Committee believes the PC Alternative Plan is superior to the Debtors' Plan.

The Committee recommends that each creditor votes to reject the Debtors' Plan.

Between the Debtors' Plan and the PC Alternative Plan, the Committee's view is that *the PC Alternative Plan has more funding and provides more cash to certain types of creditors than the Debtors' Plan*. The Committee believes that *recoveries under the PC Alternative Plan are superior to recoveries under the Debtors' Plan*. Each class of creditors is projected to receive at least as much cash, if not more, under the PC Alternative Plan than under the Debtors' Plan.

The Committee believes the Debtors' Plan is also at substantial risk of being underfunded and has substantial execution risk. A more detailed summary of the defects the Committee has identified with the Debtors' Plan can be found in Annex 4. The Committee's analysis showing a potential $8 million shortfall in funding can be found on Annex 5.

B. The PC Plan Compared to the PC Alternative Plan

The Committee's recommendation regarding the PC Plan and the PC Alternative Plan differs depending on the type of claim you hold and your preferences. Your recovery may depend on the type of debt that you hold and your preference either to participate in the go-forward success of the company or to receive cash. Because of these distinctions, an illustrative summary of what you may recover on the effective date of the chapter 11 plan based on your creditor type is provided below. You should carefully review the terms of the disclosure statements for the PC Plan and the PC Alternative Plan before making a decision as to which of those plans you believe will provide you with the greatest recovery.

Please note that the figures below represent the Committee's advisors' best estimate of projected recoveries for creditors. These figures may vary significantly based on the number of creditors that elect certain treatment under all three plans and the amount of administrative claims that must be satisfied first before unsecured creditors receive distributions on their claims. Certain creditors under the various plans also receive contingent litigation or other potential sources of recovery, which are not reflected in the figures in Section III.

The following tables depict the Committee's advisors' best estimates of expected recoveries (whether cash or equity) available to creditors[1] on the Effective Date (the "Day 1 Recoveries"). The figures presented are based on various assumptions which are subject to

[1] If you are a holder of an Azure Guaranty Claim or OCM Guaranty Claim, your claim is separately classified under the different plans. You should independently consider your treatment under each plan.

material change in advance of confirmation. The Committee reserves the right to change its view on plan recoveries, particularly those based on valuation and illustrative future consideration.

- **If you are a holder of a <u>Trade Creditor Claim</u>**, you will likely receive more cash under both the PC Alternative Plan and the PC Plan than under the Debtors' Plan. Under the PC Alternative Plan and the Debtors' Plan, trade creditors are separately classified and receive 15% of the face value of their claims, provided total distributions do not exceed $1 million, in which case they split $1 million *pro-rata*. The 13.16% recovery under the Debtors' Plan assumes the Debtors have insufficient funding to make all required distributions to trade creditors.[2]

Trade Creditor Day 1 Illustrative Recovery		
PC Plan	PC Alternative Plan	Debtors' Plan
15.00%	15.00%	13.16%

- **If you are a holder of a <u>Corp Guaranty Claim</u>**, you will likely receive the best recovery under the PC Plan if you participate in the Rights Offering. If, however, you wish to receive cash, you will receive a better recovery under the PC Alternative Plan than by electing the cash-out option under the PC Plan. In addition, your day-one recovery would likely be greater under the PC Alternative Plan than under the PC Plan if you do not participate in the Rights Offering.

Corp Guaranty Day 1 Illustrative Recovery			
PC Plan (if you participate in the Rights Offering)[3]	PC Plan (if you <u>do not</u> participate in the Rights Offering)	PC Alternative Plan	Debtors' Plan
14.01%	3.50%	10.84%	3.61%

- **If you are a <u>Noteholder</u> with a Claim of $667,000 or less**, you will likely receive a better recovery under the PC Alternative Plan if you elect cash in Class 5 than under the PC Plan.[4] The maximum amount you would receive under the PC Alternative Plan if you elect cash

[2] Trade creditors are treated as Convenience Class Claims under the PC Plan, unless their claims exceed $1 million, in which case they are treated as general unsecured creditors unless they elect to be treated as Convenience Class Claims. The 15% recovery under the PC Plan assumes the maximum recovery under the Convenience Class of the PC Plan, provided that if total distributions to holders of convenience class claims exceed $2,500,000, such holders split $2,500,000 *pro rata*.

[3] Consistent with the Petitioning Creditors' methodology in presenting recoveries in the *Amended Disclosure Statement in Support of Petitioning Creditors' Amended Joint Chapter 11 Plan of Reorganization'* [Docket No 741], recoveries under the PC Plan are presented on a gross basis, and as such do not account for the respective creditor's rights offering investment. In order to participate in the rights offering, creditors must purchase their pro rata allocation of shares in the Reorganized Debtor.

[4] There is a risk that the Bankruptcy Court does not approve the Class 5 cash election because it provides different treatment to similarly situated creditors. If the Bankruptcy Court does not approve the Class 5 cash election, the Debtors' Plan and PC Alternative Plan provide that claims in Class 5 would instead receive Class 6A or Class 6B treatment as applicable. Any decision to accept the Debtors' Plan or the PC Alternative Plan should be made understanding that risk.

in Class 5 would be $100,000. The range of recoveries from 15% to 100% shown below assumes that the $8 million reserve for Class 5 under the PC Alternative Plan is sufficient to satisfy all claims in that class. The low-end of the range reflects the recovery of a $667,000 holder and the high-end of the range reflects the recovery of a holder of $100,000 or less. Under the PC Plan, claims of less than $1 million receive Convenience Class treatment and obtain a 15% recovery.

Noteholder Day 1 Illustrative Recovery (X < $667,000)		
PC Plan	PC Alternative Plan	Debtors' Plan
15.00%	15.00% to 100.00%	0.00%[5]

- **If you are a <u>Noteholder</u> with a Claim between $667,000 and $1,070,000**, you will likely receive similar recoveries under the PC Plan and the PC Alternative Plan. The range of recoveries under the PC Plan shown below reflects Convenience Class recoveries for a $667,000 holder on the high-end and a $1.07M holder on the low end. The range of recoveries under the PC Alternative Plan reflects Class 5 recoveries for a $667,000 holder on the high-end and a $1.07M holder on the low end.

Noteholder Day 1 Illustrative Recovery ($667,000 – $1,070,000)		
PC Plan	PC Alternative Plan	Debtors' Plan
14.01% -15.00%	9.34% – 15.00%	0.00%[6]

- **If you are a <u>Noteholder</u> with a Claim greater than $1,070,000**, you likely receive the best recovery if you participate in the Rights Offering under the PC Plan. For holders that do not participate in the Rights Offering, the high-end range of recovery reflects recoveries for holders of greater than $1,070,000 who elect Convenience Class treatment under the PC Plan. The range of recoveries under the PC Alternative Plan reflects Class 5 recoveries for a $1.07M holder on the high-end and recoveries for Class 6A holders from excess cash on the low-end.

Noteholder Day 1 Illustrative Recovery (X > $1,070,000)			
PC Plan (if you participate in the Rights Offering)	PC Plan (if you <u>do</u> <u>not</u> participate in the Rights Offering)	PC Alternative Plan	Debtors' Plan

[5] This value reflects the Committee's view that the Debtors' Plan lacks sufficient funding to fund the Noteholder Election Recovery Claims (Class 5) or provide any Distributable Cash to Class 6A and 6B at emergence. *See* Annex 5. The capitalized terms in the previous sentence have the meanings set forth in the Debtors' Plan.
[6] *See* above footnote 5.

14.01%	3.19 – 14.01%[7]	0.10% – 9.34%	0.00%[8]

In addition to the distributions at emergence outlined above, you may receive additional future value on account of (1) litigation claims to the extent you receive equity under the PC Plan or interests in the litigation trust under the Debtors' Plan or PC Alternative Plan; and (2) the operations of the business or future sales of assets under the Debtors' Plan and the PC Alternative Plan. As those future processes are uncertain, they have not been modeled above.

IV. Additional Information

The foregoing is not intended as a substitute for the disclosure statements included herein. The statements in this letter do not represent the opinions or findings of the Bankruptcy Court or the opinion of any party other than the Committee. You should read the disclosure statements and plans in their entirety, and then make you own independent decision as to whether each plan is acceptable.

To have your vote counted, you must complete and return the ballot in accordance with the procedures set forth therein.

Please read the directions on the ballot carefully and complete your ballot in its entirety before returning it to Kurtzman Carson Consultants, LLC dba Verita Global (the "Voting Agent"). **If you need a new ballot, please contact the Voting Agent (a) in writing at Eletson Holdings Inc., et al., Ballot Processing Center c/o KCC dba Verita, 222 N. Pacific Coast Highway, Suite 300, El Segundo, California 90245, (b) via Email at: Eletsoninfo@kccllc.com, or (c) by telephone at 888-647-1737 (Domestic) or 310-751-2624 (International)**.

If you have any questions or concerns regarding the proposed plans, you may contact counsel for the Committee at Dechert LLP, 1095 Avenue of the Americas, New York, NY 10036:

- Stephen D. Zide, Esq.: stephen.zide@dechert.com; (212) 698-3629
- David A. Herman, Esq.: david.herman@dechert.com; (212) 649-8728
- Owen Haney, Esq.: owen.haney@dechert.com; (646) 731-6115
- Karli K. Wade, Esq.: karli.wade@dechert.com; (212) 649-8790

Sincerely yours,

The Official Committee of Unsecured Creditors of Eletson Holdings Inc., *et al*

[7] 3.19% low end range recovery reflects recoveries under the Cash Out option of the PC Plan. This assumes the $13M cash pool under the PC Plan and $407.9 million of claims that may participate.
[8] *See* above footnote 5.

ANNEX 1 – SUMMARY AND ANALYSIS OF THE THREE PLANS

This section provides a summary of the three plans. For additional information, we advise you to read the plans as well as the disclosure statements that accompany each of them.

A. The PC Plan

The PC Plan would give creditors 100% of the equity in the post-bankruptcy company ("Reorganized Holdings"). The PC Plan would be funded by a $43.5 million equity rights offering in which almost all general unsecured creditors would be allowed to participate. Participants in the Rights Offering would collectively purchase up to 75% of the equity in Reorganized Holdings. The remaining equity would be provided to creditors that elect to receive equity, solely on account of their claims.

Under the PC Plan, creditors would be treated as follows:

- Holders of OCM Guaranty Claims would have their claims reinstated at 100%.
- Any general unsecured creditor with a claim of less than $1,000,000 (or who opts to reduce their claim to $1,000,000) may elect "Convenience Class" treatment and receive 15% of the face value of their claim in cash. If total Convenience Class distributions exceed $2.5 million, however, then such holders would share in $2.5 million *pro-rata*.
- General unsecured creditors that do not select Convenience Class treatment may elect to receive either:
    - their *pro-rata* share of 25% of the equity in Reorganized Holdings; or
    - their *pro-rata* share of $13.5 million in cash.

  In addition, eligible creditors may choose to participate in the Rights Offering. Creditors choosing to do so may acquire Rights Offering subscription rights based on their *pro-rata* share of the total eligible claims pool. The Rights Offering is fully committed and backstopped by one of the plan proponents, Pach Shemen LLC ("Pach Shemen") pursuant to a backstop commitment agreement (the "Backstop Agreement"). Certain eligible creditors can join the Backstop Agreement as backstop parties with Pach Shemen and agree to acquire any equity not purchased in the Rights Offering by other holders in exchange for an 8% share of equity in Reorganized Holdings, which is dilutive of all equityholders.

Under the PC Plan, the Debtors' existing shareholders would no longer own or manage the company. Reorganized Holdings would be managed by a three-member board of directors. Two members of that board would be appointed by Pach Shemen, with one of those members selected with the consent of the Committee, and one member would be an independent director appointed by the Committee.

In addition, all litigation claims belonging to the Debtors would be retained by Reorganized Holdings. Creditors who elect to receive equity in Reorganized Holdings therefore may benefit from the successful prosecution of those claims to the extent they continue to hold the equity.

B. The Debtors' Plan

The Debtors' Plan provides that the existing majority shareholders of Eletson Holdings would continue to own and manage the business after it emerges from bankruptcy. The Debtors' Plan is premised on a $30 million investment from the Debtors' current majority shareholders, which the Debtors contend would fund all distributions made to creditors under the Debtors' Plan (the "Shareholder New Value Contribution"). The investment also would fund a litigation trust that would be established under the Debtors' Plan to pursue litigation claims against, among others, the Debtors' Insiders.

Importantly, under the law, the majority shareholders' $30 million investment would have to cover significant post-bankruptcy expenses that have been or will be incurred and must be paid ahead of any creditor distributions, including administrative claims asserted by certain creditors and the fees and expenses of professionals employed by the Debtors and the Committee. As discussed below, **based on the Committee's projections, the $30 million investment the majority shareholders have proposed to make under the Debtors' Plan is insufficient to cover all necessary distributions under the Debtors' Plan**. Accordingly, based on the Committee's projections, the Debtors' plan is not reasonably likely to take effect even if it is approved.

Under the Debtors' Plan, creditors would receive different consideration depending on the type of debt they hold and whether the creditor is among the creditors who initiated the bankruptcy proceedings against the Debtors in March 2023.

- Guarantee claims: With the exception of the Azure Guaranty Claims, creditors that hold guaranty claims against the Debtors would have their guarantees reinstated at 50% against Reorganized Holdings and, in the case of creditors of Eletson Corporation with guarantees against Eletson Holdings, also share in a cash pool of $1 million.
- Trade claims: Trade Creditors would receive cash equal to 15% of the face value of their claims except to the extent total distributions to Trade Creditors exceed $1 million, in which case Trade Creditors would share $1 million split *pro-rata*.
- Noteholders electing cash: Creditors who hold notes issued by the Debtors in 2013 and 2018 ("Noteholders") may elect to receive either cash or interests in the litigation trust. Holders that elect to receive cash receive the lesser of $70,000 or the face amount of their claim. If total cash distributions exceed $7,000,000, however, these creditors would receive their respective portion of $7,000,000 split *pro rata*.
- Noteholders not electing cash: Holders that do not elect to receive cash would receive interests in a litigation trust that would be established to pursue certain claims the Debtors would transfer to the trust. In addition to benefitting from any recovery on account of those claims, the trust also would receive additional consideration, including excess cash from the Debtors' four vessel operating subsidiaries (the "SMEs") on the effective date, excess cash flow from certain of the Debtors' vessels generated in the four years following the effective date (the "Excess SME Cash Flow Proceeds"), sale proceeds of those vessels (the "Excess SME Sale Proceeds", and collectively with the Excess SME Cash Flow Proceeds, the "Excess SME Proceeds"), a contribution from

the recovery of the causes of action retained by the Debtors, and a contribution from the Debtors' recoveries in proceedings against Levona Holdings, Ltd. ("Levona" and the related contribution, the "Collections Contribution"). Specifics on these forms of consideration can be found in the Debtors' disclosure statement.

Under the Debtors' Plan, Levona and the three Noteholders that filed the involuntary proceedings against the Debtors would be equitably subordinated to other noteholders and receive nothing unless other noteholders are paid in full. The Debtors' Plan provides that if these claims are deemed allowed and the Bankruptcy Court finds it cannot equitably subordinate them, these creditors will receive the same treatment as other Noteholders.

C. The PC Alternative Plan

The PC Alternative Plan has the same structure as the Debtors' Plan. Instead of a $30 million investment by the Debtors' majority shareholders, however, the PC Alternative Plan is premised on a $41 million investment from an affiliate of creditor Pach Shemen, LLC (the "PC Plan Proponent"). Accordingly, the PC Alternative Plan has more funding and offers higher recoveries to creditors than they would receive under the Debtors' Plan. A comparison of the PC Alternative Plan and the Debtors' Plan can be found in Annex 3.

- Guarantee claims: Holders of OCM Guaranty Claims would have their claims reinstated at 100%. Creditors of Eletson Corporation with guarantees against Eletson Holdings would have the right to choose either (a) to have their guarantee claims reinstated at 50% and share in a cash pool of $1.25 million; or (b) to release their guarantee claims and share in a cash pool of $3 million.
- Trade claims: Same as Debtors' Plan.
- Noteholders electing cash: Noteholders who elect to receive cash would receive the lesser of $100,000 or the face amount of their claims. If the total cash distributions exceed $8,000,000, however, Noteholders instead would share $8,000,000 split *pro-rata*.
- Noteholders not electing cash: Same as Debtors' Plan except that the Collections Contribution would be replaced with certain "Contingent Value Rights" or CVRs. The CVRs would be equal in value to the Collections Contribution, but without deductions provided under the Debtors' Plan for setoff and costs of collection. The CVRs would be secured by the PC Plan Proponent's equity in Reorganized Holdings. In addition, a Professional Fee Reserve would be created under the PC Alternative Plan. Any excess cash from the Professional Fee Reserve not used to pay professional fees would go to the Litigation Trust.

Under the PC Alternative Plan, the Debtors' existing shareholders would be removed and Reorganized Holdings would be owned and managed by the PC Plan Proponent.

The PC Alternative Plan also provides that all causes of action belonging to the Debtors, with the exception of the claims related to Collections Contribution, shall go to the litigation trust. In addition, the PC Alternative Plan provides for the creation of a cooperation agreement between the trustee of the litigation trust and Reorganized Holdings to share information and communications to support the litigation trust's collection efforts.

Based on the Committee's projections, the $41 million investment should be sufficient to fund all necessary distributions under the PC Alternative Plan. This is in contrast to the Debtors' plan where, as noted above, the Committee projects the $30 million investment by the majority shareholders would be insufficient to fund all necessary plan distributions.

ANNEX 2 – SUMMARY OF HYPOTHETICAL PLAN RECOVERIES

The following chart depicts the Committee's advisors' best estimates of expected recoveries (whether cash or equity) available to creditors under the PC Plan, the PC Alternative Plan and the Debtors' Plan on the Effective Date (see table below), and after receipt of ranges of potential future consideration (table on page 13).[9]

Creditor Recoveries

	PC Plan(1),(2)		PC Alternative Plan	Debtors' Plan
	100% Rights Offering Participation	*0% Rights Offering Participation*		
Day 1 Recoveries(3),(4),(5)				
2 – Corp Guaranty Claims(6)	14.01%	3.50%	10.84%	3.61%
4 – Trade Creditor Claims(7)			15.00%	13.16%
4 – Convenience Class – Rights Offering	15.00%	15.00%		
5 – Noteholder Election Recovery Claims(8),(9)			15.00% – 100.00%	0.00%
2, 6A & 6B – Cash Out Option(10)	3.19%	3.19%		
6A – Non-Petitioning Creditor Note Claims(6),(11)	14.01%	3.50%	0.10%	0.00%
6B – Petitioning Creditor Exchange Note Claims(6)	14.01%	3.50%	0.10%	0.00%

After the Effective Date, certain classes may receive subsequent distributions, primarily consisting of potential litigation proceeds and Excess SME Proceeds (in the case of the PC Alternative Plan and Debtors' Plan). Given the exact value of the future distributions is uncertain, the table below illustrates different scenarios and their impact on creditor recoveries.

[9] The figures presented are based on various assumptions which are subject to material change in advance of confirmation. The Committee reserves the right to change its view on plan recoveries, particularly those based on valuation and illustrative future consideration.

Class 2 – Corp Guaranty Claims

Future Consideration[12],[13]		Plan Scenario (% Recovery)			
PC Plans[14]	Debtors' Plan[15]	PC Plan (100% Par.)	PC Plan (0% Par.)	PC Alternative Plan	Debtors' Plan
0	0	14.01%	3.50%		
50	38	25.29%	6.32%		
100	75	36.56%	9.14%		

Classes 6A and 6B – Non Petitioning and Petitioning Creditor Note Claims

Future Consideration[12],[13]		Plan Scenario (% Recovery)			
PC Plans[14]	Debtors' Plan[15]	PC Plan (100% Par.)	PC Plan (0% Par.)	PC Alternative Plan	Debtors' Plan
0	0	14.01%	3.50%	0.10%	0.00%
50	38	25.29%	6.32%	13.25%	9.86%
100	75	36.56%	9.14%	26.40%	19.73%

NOTES TO RECOVERY ANALYSIS

1. Creditors seeking to monetize equity recoveries under the PC Plan may be required to do so at a discount.

2. The equity value of Reorganized Holdings is assumed at $62.1M in the PC Plan, consistent with the midpoint reflected in the Petitioning Creditors' Amended Disclosure Statement [Docket No 741]. The Committee reserves the right to change its view on valuation, which will impact recoveries as detailed above.

3. Claims are assumed to be consistent with the Debtors' Plan, with the exception of Convenience Class claims under the PC Plan which are assumed at $16.7M. The $16.7M in claims under the PC Plan is derived by assuming the maximum number of claims receive a 15% recovery from the $2.5M cash pool.

4. The analysis does not reflect the impact of the charging liens asserted by Wilmington Savings Fund Society, FSB, in its capacity as trustee under the indenture for the First Preferred Ship Mortgage Notes due 2022, and by Deutsche Bank Trust Company Americas, in its capacity as indenture trustee, which could be in excess of $4M.

5. If you are a holder of an Azure Guaranty Claim or OCM Guaranty Claim, your claim is separately classified under the different plans. You should independently consider your treatment under each plan.

6. Consistent with the Petitioning Creditors' methodology in presenting recoveries in the Amended Disclosure Statement in Support of Petitioning Creditors' Amended Joint Chapter 11 Plan of Reorganization' [Docket No 741], recoveries under the PC Plan are presented on a gross basis, and as such do not account for the respective creditor's rights offering investment. In order to participate in the rights offering, creditors must purchase their pro rata allocation of shares in the Reorganized Debtor.

7. The Debtors' proposed Shareholder New Value Contribution of $30M is insufficient to fund cash needs at emergence, resulting in an $8M shortfall. Accordingly, the Debtors' Plan provides only approximately $360K in Distributable Cash to Class 4. The Debtors

estimate $2.75M in trade creditor claims in Class 4, resulting in an approximately 13% recovery under the Debtors' Plan.

8. The amount / number of claims that elect into Class 5 (Noteholder Election Recovery Claims) under the Debtors' Plan and PC Alternative Plan is unknown at this time. Total claims assumed in Classes 6A and 6B have not been reduced for potential claimants that elect Class 5 treatment.

9. Recoveries under Class 5 are assumed to be 15 – 100% with the exception of the Debtors' Plan, which does not have sufficient cash at emergence to fund this class and accordingly has a 0% recovery.

10. Recoveries under the cash out option of the PC Plan are estimated at approximately 3%. Figure assumes all corp guaranty claims and noteholders elect into the $13M pool.

11. The 0.1% recovery under the PC Alternative Plan is derived from the feasibility analysis (see Annex 5), which reflects approximately $360K in value remaining after satisfaction of all classes under the waterfall. Classes 6A and 6B each receive their pro rata share of this value based on the claims within each class.

12. Future Consideration consists of future litigation value and Excess SME Proceeds in the Debtors' Plan (see below footnote 12 for adjustment) and PC Alternative Plan.

13. Assumed additional consideration, which includes litigation recoveries and Excess SME Proceeds (under the cash plans), inures to the benefit of Classes 2 (under the PC Plan only), 6A, and 6B only.

14. No value is ascribed to potential equity upside under the PC Plan as additional future consideration.

15. Future consideration under the Debtors' Plan is discounted by 25% to address that (i) creditors would not receive all causes of action, and (ii) causes of action that are transferred to the litigation trust would suffer greater risk of failure because litigating these causes of action would require the books and records of the Debtors, who would be adversarial.

ANNEX 3 - COMPARISON OF THE PC ALTERNATIVE PLAN AND THE DEBTORS' PLAN

The following chart compares the material terms of the PC Alternative Plan and the Debtors' Plan. As explained above, the Committee believes that these two plans are similar to each other, but the PC Alternative Plan provides creditors with greater recoveries.

	Debtors' Plan	**PC Alternative Plan**
Equity Investment	$30 million	$41 million
Sponsor	Debtors' shareholder	Pach Shemen or its affiliate
Collections Contribution	75% net cash recoveries on the arbitration award, provided, "net cash recoveries" means net of costs of collection incurred and net of any offsets by any for amounts owed to Levona.	The litigation trust shall receive CVRs equal to the dollar amount that would be received in the Collections Contribution. CVRs will be secured by sponsor's equity in Reorganized Holdings.
Class 1 OCM Guaranty	Reinstated at 50% (impaired).	Reinstated at 100% (not impaired and not entitled to vote).
Class 2 Corp Guaranty	Reinstated guarantee at 50% plus *pro-rata* share of $1 million.	Holders may elect either: (a) *pro rata* share of $1.25 million *and* reinstatement of guarantee at 50%; or (b) pro rata share of $3 million.
Class 3 Azure Guaranty	*Pro rata* share of $200,000.	Same.
Class 4 Trade Creditor	Cash equal to 15% provided that if aggregate distributions exceed $1 million, then pro rata share of $1 million.	Same.
Class 5 Noteholder Election Recovery	Lesser of (a) face value of such holder's claim, (b) such holder's *pro rata* share of $7 million, or (c) $70,000.	Lesser of (a) face value of such holder's claim, (b) such holder's *pro rata* share of $8 million, or (c) $100,000.

	Debtors' Plan	PC Alternative Plan
Class 6A Non-Petitioning Creditor Exchange Note Claims	• Proceeds from claims transferred to litigation trust • Excess cash after trust expenses • Collections Contribution • Retained Causes of Action Contribution • Excess SME Proceeds	Same, except: • Excess cash includes excess from professional fee reserve • CVRs instead of Collections Contribution
Class 6B Petitioning Creditor Exchange Note Claims	Equitably subordinated or, if determined that they are not subordinated, may elect Class 6A or Class 5 treatment.	Same, except claims not equitably subordinated unless Court determines that they are.
Class 7 Equity	*Pro-rata* share of equity of Reorganized Holdings based on *pro-rata* new value contribution.	Nothing.
Litigation Trust Causes of Action	Does not include claims against former law firms employed by the Debtors and claims against creditors of Holdings.	All causes of action of the Debtors except the claims related to the Collections Contribution.
Litigation Trust Privileges	Sharing of privilege limited to the claims in the trust. Reorganized Holdings would provide the trust with reasonable access to books and records related to litigation trust causes of action.	Sharing of privileges between Reorganized Holdings and the litigation trust. Reorganized Holdings and the litigation trust trustee enter into a common interest agreement whereby Reorganized Holdings will share all documents, information, or communications relating to cause of action of the litigation trust.

ANNEX 4 – DEFECTS IN THE DEBTORS' PLAN

The Committee believes that in addition to providing lower recoveries than under the PC Plan and PC Alternative Plan, the Debtors' Plan also suffers from additional defects that have informed the Committee's recommendation that creditors reject the Debtors' Plan:

- **The Debtors' Plan has insufficient funding to take effect.** Based on the Committee's projections, the Debtors' Plan underestimates the administrative expenses that will need to be paid and the costs associated with funding the litigation trust. As a result, the Committee's advisors believe that the Debtors' Plan suffers from an $8 million shortfall. If the Debtors do not have sufficient cash to fund the Debtors' Plan, the Debtors' Plan will be infeasible and incapable of going effective. A copy of the feasibility analysis prepared by the Committee's financial advisors is attached as Annex 5.[10]
- **The $30 million funding of the Debtors' Plan would not be entirely in cash**. Instead, the Debtors' Plan provides that the $30 million from the shareholders would include both cash and undefined "cash equivalents." The Debtors and their majority shareholders have refused to disclose what "cash equivalents" there are, what amount of "cash equivalents" will be provided, and how they plan to liquidate these "cash equivalents" to ensure they return equivalent cash value. These unknowns and execution risks make the Debtors' Plan unnecessarily risky when there exist other plans that provide more value to creditors and do not present these risks.
- **The Committee has no comfort that the shareholders can or will provide the $30 million necessary to fund the Debtors' Plan**. The Debtors' majority shareholders have not provided sufficient proof to the Committee that they have the $30 million in cash necessary to fund the Debtors' Plan. Moreover, the commitment letter that the shareholders have agreed to sign is enforceable only by the Debtors, which those shareholders control, which means the shareholders can cause the Debtors not to enforce it. The shareholders have refused to agree to a commitment letter that could be enforced by the Committee in the event that they cause the Debtors not to enforce it.
- **The Debtors' Plan and the related disclosure statement overestimate the value that will be provided to creditors who would receive interests in the Litigation Trust**.
  - First, the Debtors do not have enough cash to satisfy all necessary distributions under the Debtors' Plan, let alone the $4 million excess that the Debtors assert will be contributed to the trust after distributions.
  - Second, the Debtors assert that over $50 million will be provided to the Litigation Trust from the Collections Contribution. The value to be returned is likely to be much less, however, because (i) Eletson Gas and the Cypriot nominees have made no commitments to provide that value to the Litigation Trust, (ii) the Debtors have no obligation or incentive to collect the full value

[10] A more fulsome explanation of the Committee's views on the infeasibility of the Debtors' Plan is found in the Committee's supplemental objection to the Debtors' disclosure statement (ECF 772) and in the accompanying declaration of Marshall Eisler from FTI Consulting, Inc. (ECF 774).

of the arbitration award underpinning the Collections Contribution, (iii) obtaining the full value of the arbitration award is contingent on the Debtors' success obtaining and collecting on a judgment against the alter-egos of Levona, (iv) the value of the Collections Contribution will be reduced by the costs incurred to collect it, which the Debtors have provided no estimate of, and (v) creditors are entitled to only a portion of the net cash recoveries.

  - <u>Third</u>, the Excess SME Cash Flow Proceeds may be less than \$5 million because the revenue generating contracts for the SMEs expire in 2025, at which point the Debtors will either have to re-lease the vessels or buy them.

  - <u>Fourth</u>, the Excess SME Sale Proceeds could be less than \$5 million because the Debtors are under no obligation to sell them.

- **Under the PC Alternative Plan, all of the Debtors' claims are transferred to the Litigation Trust except for the claims subject to the Collections Contribution**. Under the Debtors' Plan, however, the post-bankruptcy company retains valuable causes of action against the Debtors' former law firms that are not released under the Debtors' Plan, as well as certain claims against creditors.

- **Under the PC Alternative Plan, the Litigation Trust Trustee would benefit from a cooperative go-forward relationship with the company**. By contrast, under the Debtors' Plan, the trustee would not have a cooperation agreement in place and the Committee expects that the Debtors would be uncooperative with the trustee. The most valuable causes of action to be transferred to the trust are the claims arising from the fraud committed by the Debtors' Insiders against the creditors of Holdings, and those same insiders would continue to control the Debtors if the Debtors' Plan becomes effective. Therefore, the Debtors are unlikely to support this litigation or be cooperative sharing information since their principals would be defendants in the litigation. This could adversely affect the success of the litigation trust in pursuing those claims and lead to lower recoveries for creditors.

ANNEX 5 – FEASIBILITY ANALYSIS

Based on the Committee's projections, the Debtors' Plan underestimates the administrative expenses that will need to be paid and the costs associated with funding the litigation trust. As a result, the Committee's advisors believe that the Debtors' Plan suffers from an $8 million shortfall. If the Debtors do not have sufficient cash to fund the Debtors' Plan, the Debtors' Plan will be infeasible and incapable of going effective.

($ millions)	PC Plan[1]	PC Alternative Plan[2]	Debtors' Plan[3]
I. Effective Date Consideration			
New Value Contribution	$ 44	$ 41	$ 30
SME Revenue[4]	-	-	-
Total Effective Date Consideration	**$ 44**	**$ 41**	**$ 30**
II. Estimated Effective Date Distributions			
Est. Allowed Administrative Claims[5]			
Togut, Segal, & Segal LLP[6]	(4) +/- TBD	(4) +/- TBD	(4) +/- TBD
Wilmington Savings Fund Society	(2)	(2)	(2)
New Agathonissos Finance LLC	(0)	(0)	(0)
US Trustee Fees	TBD	TBD	TBD
Other Admin Claims	TBD	TBD	TBD
Claims Agent Fees[7]		(0)	(0)
Total Est. Allowed Administrative Claims	**(6)**	**(6)**	**(6)**
Litigation Trust Start Up Costs[8],[9]		(3)	(3)
Est. Accrued and Unpaid Prof. Fees on Effective Date (8/31)[10]	(19)	(19)	(19)
GUC Cash Pool[11]	(6)		
Corp Guaranty Recovery		(3)	(1)
Azure Guaranty Recovery		(0)	(0)
Trade Creditor Claim Recovery[12]	(3)	(1)	(1)
Noteholder Election Distribution[13]		(8)	(7)
Total Estimated Effective Date Distributions	**(34)**	**(41)**	**(38)**
III. Implied Effective Date Surplus / (Shortfall)	**$ 9**	**$ 0**	**$ (8)**

NOTES TO FEASIBILITY ANALYSIS

1. PC Plan refers to the *Petitioning Creditors' Amended Joint Chapter 11 Plan of Reorganization of Eletson Holdings Inc.*, dated June 6, 2024 [Docket No. 740].

2. PC Alternative Plan refers to the *Petitioning Creditors' Alternative Chapter 11 Plan of Eletson Holdings Inc. and Its Affiliated Debtors*, dated June 17, 2024 [Docket No. 801].

3. Debtors' Plan refers to the *Second Amended Joint Plan of Reorganization of Debtors Under Chapter 11 of the United States Bankruptcy Code*, dated June 14, 2024 [Docket No. 786].

4. SME Revenue refers to any excess cash on hand of each of the SMEs existing as of the Effective Date after subtracting projected operating expenses of the SMEs not otherwise reasonably expected to be satisfied by anticipated revenues of the SMEs (on a consolidated basis) through the SME Revenue Period (6 months); and (ii) $250,000 (on a consolidated basis). No value is attributed to this provision.

5. Administrative claims include: 1) a $4M claim asserted by Togut [Docket No. 322]; 2) a $1.8M claim asserted by WSFS [Proof of Claim 20]; and 3) a $406K claim asserted by NAF [Docket No. 324]. Note total administrative claims may increase based on the fees of the United States Trustee and other administrative claims which have not been quantified.

6. "TBD" denotes potential substantial contribution claim on behalf of work performed by Togut during these cases (not quantified).

7. Estimated Claims Agent Fees associated with mailing and soliciting plan documents, voting tabulation, and other services as needed.

8. The Committee estimates that $3 million is required to adequately capitalize the litigation trust on the Effective Date. This estimate considers various costs associated with funding the trust, including: 1) trustee compensation, 2) claims administration, 3) start-up litigation costs, 4) tax preparation, 5) D&O insurance, 6) US Trustee fees, and 7) other professional fees. The Debtors disagree with the Committee's estimate. The Debtors' Plan provides $200,000 to fund the litigation trust.

9. Under the PC Plan, Reorganized Holdings will bear the costs of litigation as they become due.

10. Estimated accrued and unpaid professional fees consists of: 1) amounts accrued and unpaid from September 2023 through April 2024 and 2) forecasted amounts to be incurred by professionals from May to August 2024.

11. The GUC Cash Pool, as defined in the PC Plan, provides for up to $13.5M in recoveries to unsecured creditors. This analysis assumes Pach Shemen does not elect this treatment.

12. Creditor cash distribution consists of the Trade Creditor Claim Cap of $1M as defined in the Debtors' Plan (which treatment is the same under the PC Alternative Plan).

13. Payouts under the Noteholder Election Distribution in the Debtors' Plan assumed at the Noteholder Election Recovery Cap of $7M. Payouts under the PC Alternative Plan assumed at $8M cap.