

The Official Committee of Unsecured Creditors
of PGX Holdings, Inc., *et al.*
Debtors and Debtors-in-Possession in the
United States Bankruptcy Court for the District of Delaware
Case No. 23-10718 (CTG)
c/o Morris James LLP
ArentFox Schiff LLP:

September 19, 2023

To: All Unsecured Creditors of PGX Holdings, Inc., *et al.*

The Official Committee of Unsecured Creditors (the “Committee”) of PGX Holdings, Inc., *et al.* (the “Debtors”) in the above-referenced Chapter 11 Cases writes this letter to recommend that unsecured creditors vote in favor of the Debtor’s *First Amended Joint Chapter 11 Plan of PGX Holdings, Inc. and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as may be amended, modified, or supplemented from time to time, the “Plan”).¹ Together with this letter, you are receiving a copy of the Plan, the *First Amended Disclosure Statement for the First Amended Joint Chapter 11 Plan of PGX Holdings, Inc. and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as may be modified, the “Disclosure Statement”), various related documents, and a ballot allowing you to vote to either accept or reject the Plan.

For the reasons set forth below, the Committee is supportive of the Plan based on the current and known facts and circumstances and the information provided thus far by the Debtors and their professionals. As a result, the Committee urges all unsecured creditors to VOTE TO ACCEPT THE PLAN and promptly return your Ballot indicating your acceptance of the Plan in accordance with the voting instructions set forth on the Ballot.

A. Background

On June 4, 2023, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

On June 14, 2023, the U.S. Trustee appointed the Committee. The Committee is comprised of: (a) Hawthorne Direct, LLC; (b) Site Selection Group, LLC; and (c) Argano, LLC. The Committee retained the law firms ArentFox Schiff LLP and Morris James LLP as bankruptcy counsel, and FTI Consulting, Inc. as financial advisor. The Committee is statutorily charged with representing the interests of all unsecured creditors. Among the duties and powers of an official committee of unsecured creditors is to participate in formulating the Debtor’s Plan and advising creditors of the Committee’s determinations regarding the Plan. The members of the Committee in these Chapter 11 Cases have devoted substantial time and attention in carrying out their statutory duties to all unsecured creditors.

¹ All capitalized terms not defined herein shall have the meanings ascribed to them in the Plan.

B. The Global Settlement

The Committee began by conducting an investigation and then objecting to the terms of the Debtors' proposed post-petition financing and sales of substantially all their assets. The Committee resolved its objections through extensive good-faith negotiations with the Debtors, secured lenders, and purchasers, which resulted in a certain global settlement (the "Global Settlement") designed to preserve value for unsecured creditors through the Plan.² The terms of the Global Settlement include, among other things, a carve-out of \$3.25 million in cash from the secured lenders' collateral for distributions to Continuing Trade Claimants; up to \$750,000 to settle Litigation Claims; and a Creditor Trust funded with at least \$100,000 in cash, \$500,000 in new unsecured notes issued by the Progrexion Buyer (or a subsidiary thereto), and any assets remaining after the closing of the sales, to be administered by a Creditor Trustee selected by the Committee.

C. The Plan and Disclosure Statement³

On August 24, 2023, the Debtors filed the initial Plan and Disclosure Statement. The Plan incorporates the terms of the Global Settlement and includes the following treatment of unsecured claims:

- **CLASS 6A:** Continuing Trade Claimants are paid and satisfied on a *pro rata* basis from the aggregate of (i) \$3.25 million cash (the "GUC Claims Settlement Cash"); (ii) any unused amounts from the Debtors' "Wind-Down Budget" of up to \$3 million; and (iii) any unused amounts from the Debtors' \$3.624 million Critical Vendor budget.
- **CLASS 6B:** Other GUC Claimants will receive beneficial interests in a Creditor Trust funded with (i) \$100,000 in cash; (ii) any remaining GUC Claims Settlement Cash, (iii) unsecured notes totaling \$500,000 and accruing at 5% yearly payment-in-kind interest (the "PIK Notes"); (iv) a portion of the \$750,000 settlement pool (to be set forth in the Plan); (v) any other assets remaining after the closing of the sales. Deficiency Claims of Prepetition Secured Lenders are subordinated and junior to the claims of all other general unsecured creditors for purposes of distributions up to \$10 million (after which Prepetition Secured Lenders receive their *pro rata* share of distributions).
- **CLASS 6C:** Litigation Claimants will be paid on a *pro rata* basis from a portion of the \$750,000 settlement pool (which amount will be set forth in the Plan).
- **CLASS 6D:** The U.S. Consumer Financial Protection Bureau will receive an allowed unsecured claim in the full amount of its claim, for which it will receive a distribution of \$50,000.

On September 16, 2023, the Court entered an Order authorizing the Debtor to transmit certain solicitation packages, the contents of which include the Plan, Disclosure Statement, the enclosed

² The material terms of the Global Settlement are memorialized at Docket No. 332-3.

³ The Committee expressly reserves its rights in accordance with the terms of the Global Settlement to seek further changes to the Plan and Disclosure Statement at or prior to the confirmation hearing, including, if necessary, filing an objection. Nothing contained herein shall be deemed a waiver of any right, claim, or objection.

ballot, and this letter, to holders of Class 6A, 6B, 6C and 6D Claims against the Debtors [Docket No. 478].

As set forth in Article III.D of the Disclosure Statement, the Debtors presently estimate recoveries for holders of Allowed unsecured claims in Class 6A, 6B, 6C and 6D at anywhere from 0% to 100%, owing to the uncertainties outlined above.

The Committee was integrally involved in the formulation and drafting of the Plan and Disclosure Statement. Although the Committee supports the Plan, there is no guarantee of the amount that any particular unsecured creditor will receive. Distributions on account of unsecured claims will depend on a multitude of factors, including the magnitude of Allowed claims and the costs of administering the Debtors' estates.

D. The Committee's Recommendation

Under the current and known facts and circumstances, the Committee believes that the Plan is in the best interests of the Debtors' unsecured creditors. The Committee's view is that other alternatives to the Plan would involve significant risk, delay, uncertainty and additional administrative costs. The Committee does not believe that further negotiations or litigation will result in materially higher or better recoveries to unsecured creditors and believes that the expected recoveries to holders of unsecured claims represent a fair and equitable outcome.

Accordingly, the Committee recommends that **all unsecured creditors vote in favor** of the Plan by indicating your acceptance of the Plan on the ballot included with your solicitation package. Instructions for submitting your vote are included in the ballot.

Of course, before you cast your Ballot, you should review the enclosed Plan, the Disclosure Statement, and the exhibits to the Disclosure Statement in their entirety, and you may want to consult your own legal and financial professionals.

Your vote to accept the Plan is crucial, no matter how large or small your claim may be.

Although the Committee, by this letter, expresses its support for the Plan, this letter does not necessarily reflect the views of any of the individual Committee members, each of which reserves any and all of its rights.

If you have any questions regarding voting procedures or otherwise, please contact counsel to the Debtors, Alison J. Wirtz, at (312) 862-3607 or alison.wirtz@kirkland.com, or counsel to the Committee, Beth M. Brownstein at (212) 484-3900.

Very truly yours,

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

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

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

THIS LETTER MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN HOW TO VOTE ON THE PLAN AND THE INFORMATION CANNOT BE RELIED UPON FOR ANY OTHER PURPOSE.

THE BANKRUPTCY COURT'S APPROVAL OF THIS SUPPORT LETTER TO BE INCLUDED AS PART OF THE SOLICITATION PACKAGE DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE MERITS OF THE PLAN OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

THE COMMITTEE DOES NOT REPRESENT INDIVIDUAL HOLDERS OF ANY PARTICULAR CLAIMS AND CANNOT ADVISE UNSECURED CREDITORS REGARDING THE IMPACT OF THE PLAN ON DIRECT CLAIM(S) OR CAUSES OF ACTION, IF ANY, AN INDIVIDUAL UNSECURED CREDITOR MAY HAVE AGAINST ANY OF THE DEBTORS' OFFICERS OR DIRECTORS OR OTHER THIRD PARTIES THAT ARE RELEASED UNDER THE PLAN. TO THE EXTENT YOU BELIEVE YOU MAY OWN ANY SUCH POTENTIAL CLAIMS, PLEASE CONTACT YOUR OWN INDIVIDUAL COUNSEL TO ASSESS WHETHER ACCEPTANCE OF THE PLAN IS IN YOUR BEST INTERESTS.