IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
GST, INC.,[1]	)	Case No. 25-12188 (KBO)
Debtor.	)	**Re: D.I. 106, 121**

DEBTOR'S REPLY IN FURTHER SUPPORT OF MOTION FOR ENTRY OF AN ORDER (I) CONDITIONALLY APPROVING THE ADEQUACY OF THE DISCLOSURE STATEMENT, (II) APPROVING (A) THE SOLICITATION AND VOTING PROCEDURES AND (B) THE FORMS OF BALLOTS AND NOTICES IN CONNECTION THEREWITH, (III) SCHEDULING A COMBINED HEARING AND SETTING RELATED DATES AND DEADLINES, AND (IV) GRANTING RELATED RELIEF

GST, Inc., as debtor and debtor-in-possession (the "Debtor") in the above-captioned chapter 11 case (this "Chapter 11 Case"), submits this reply (this "Reply") to the objection [D.I. 121] (the "Objection") filed by the Official Committee of Unsecured Creditors (the "Committee") to the *Debtor's Motion for Entry of an Order Conditionally Approving the Adequacy of the Disclosure Statement, (II) Approving (A) the Solicitation and Voting Procedures and (B) the Forms of Ballots and Notices in Connection Therewith, (III) Scheduling a Combined Hearing and Setting Related Dates and Deadlines, and (IV) Granting Related Relief* [D.I. 106] (the "Disclosure Statement Motion") and respectfully states as follows:

PRELIMINARY STATEMENT

1. The Committee's Objection reeks of desperation for any reason, however far-fetched, to attempt to derail the Debtor's Plan confirmation efforts, and in doing so, chooses to mischaracterize the Debtor's Plan and applicable provisions of the Bankruptcy Code. The

[1] The last four digits of the Debtor's taxpayer identification number are 1002. The Debtor's corporate headquarters and service address is 322 Culver Boulevard, Suite 150, Playa Del Rey, CA 90293.

Objection is based on a fundamental misunderstanding of quintessential plan confirmation (not disclosure statement) issues and can be best characterized as an ill-conceived proposal to destroy the Debtor's future prospects and jeopardize the New Value Contribution so that the Committee (which consists solely of a minority of trade creditors) can attempt to pursue its unsubstantiated litigation scheme against Winners Alliance and the Debtor's officers and directors.

2. The Plan provides a guaranteed recovery to creditors in amounts greater than any other available option in this Chapter 11 Case. Under the Plan, the Debtor's estate will receive in excess of $6 million from the Plan Sponsor. No other party in interest—including any Committee member or any other creditor—has offered a single penny to the estate. Instead, the Committee contends, without any evidence, that the estate holds valuable claims and causes of action against Winners Alliance, former directors of the Debtor, and the Debtor's founder and CEO, and that, rather than accept more than $6 million in cash as a New Value Contribution, the estate should "roll the dice" and pin all of its hopes for creditor recoveries on litigation with the Debtor's pre-petition and post-petition lender which has invested (and lost) millions in connection with its investments in the Debtor.[2] Even if the Committee is correct (which it is not) that the Debtor holds valuable claims and causes of action, such valuation disputes can and must be addressed at Plan confirmation, but serve no basis to deny conditional approval of the Disclosure Statement.

3. The Committee's half-baked, unsubstantiated, risky and punitive alternative to a reorganization is a litigation quagmire which will result in: (1) no assurance of any recovery to

---

[2] The Debtor requested that the Committee provide to the Debtor a basis for its position. Unfortunately, the Committee has ignored the Debtor's efforts to discuss in good faith and failed to provide any response to the Debtor in support of its unfounded allegations.

any creditor; (2) the end of the Debtor's future business prospects; and (3) an administratively insolvent estate.

4. Notably, not a single Committee member or any of its constituents it is purportedly serving has offered to serve as the Plan Sponsor, has offered to purchase any alleged claims and causes of action, or has offered any actual recovery to creditors. Moreover, the Committee provides no basis for its unsupported contention that the value of the estate's alleged claims exceeds the New Value Contribution being provided. The Committee's contention that "the Plan contemplates burying these valuable claims and causes of action" is meritless since the Plan provides that such claims will revest in the Reorganized Debtor, which will be owned by the Plan Sponsor in exchange for the New Value Contribution. In any event, whether and to what extent the New Value Contribution reflects a fair price for the Debtor's assets is an issue for another day. Moreover, to ensure the estate is receiving fair value, the Debtor intends to immediately retain an investment banker to market and sell all of the Debtor's assets, including claims and causes of action, to ensure that top dollar is being paid for the Debtor's alleged assets and to demonstrate that the New Value Contribution being offered for the Debtor's equity is sufficient[3].

5. The Committee's remaining objections—regarding classification under section 1122, unfair discrimination under section 1129(b), and good faith under section 1129(a)(3)—are quintessential plan confirmation issues that have no bearing on approval of a disclosure statement. Whether section 1129(b) even applies will not be known until after votes are tabulated. These issues are addressed below solely to demonstrate their lack of merit, but should properly be adjudicated at confirmation.

[3] The Debtor reached out to the Committee to run a consensual sale process without the need for time and expense of additional professionals. Consistent with the Committee's method of operations to date, the Committee has failed to respond to the Debtor's proposal.

6. Tellingly, the Committee is the only party in interest that has objected to the Disclosure Statement (though, its objections are not based on disclosure statement issues at all). The Debtor has addressed all of the United States Trustee's concerns pertaining to the Disclosure Statement and concurrently herewith has filed an amended Disclosure Statement and Plan.

7. As the Committee acknowledges, there are not sufficient funds available to the estate to engage in multiple plan confirmation processes. The Court should approve the amended Disclosure Statement so that the Debtor can proceed with attempting to confirm its Plan as soon as possible. All of the Committee's plan confirmation objections would be reserved and subject to adjudication at a confirmation hearing.

ARGUMENT

A. The Plan Does Not Violate Section 1123 Of The Bankruptcy Code

8. The Committee's contention that the Disclosure Statement should not be approved because the Plan allegedly violates section 1123(a)(4) of the Bankruptcy Code is without merit and is based on a misreading of the Committee's cited caselaw. Section 1123(a)(4) provides that a plan shall "provide the same treatment for each claim or interest of a particular class, unless the holder of a particular claim or interest agrees to a less favorable treatment of such particular claim or interest." *See* 11 U.S.C. § 1123(a)(4). The Debtor's Plan complies with this requirement: each holder within Class 3A receives the same treatment as other holders of Critical Athlete Claims, each holder within Class 3B receives the same treatment as other holders of Critical Vendor Claims, and each holder within Class 3C receives the same treatment as other holders of General Unsecured Claims. The Committee's objection is premised on a misunderstanding of section 1123(a)(4), which requires uniform treatment within a class, not across different classes.

9. The caselaw cited by the Committee actually supports the Debtor's position. "[W]hile § 1122(a) requires that all claims in a class be substantially similar, it does not 'require that all substantially similar claims be placed within the same class.'" *In re Simon*, No. 04-31414 (KRH), 2008 WL 2953471 at *2 (Bankr. E.D. Va. July 29, 2008) (finding that separate classification of unsecured claims was proper) (cited by the Committee at page 8 of the Objection). Separate classification is permitted where the reasons are "independent of the debtor's motivation to secure the vote of an impaired, assenting class of claims." *Id*. Here, the Committee does not even contend that the Debtor's motivation is to secure such a vote (because it is not).

10. Delaware courts routinely approve the separate classification of general unsecured claims when a debtor provides a rational business basis for doing so. *Hargreaves v. Nuverra Envt'l Solutions, Inc., (In re Nuverra Envt'l Solutions, Inc.)*, 590 B.R. 75, 96 (D. Del. 2018); *see also Matter of Jersey City Medical Center*, 817 F.2d 1055, 1060-61 (3d Cir. 1987) (approving separate classes of doctors' indemnification claims, medical malpractice claims, employee benefit claims, and trade claims). Separate classification can be justified where, for example, there is a unique subset of creditors or where the debtor intends to conduct business with certain creditors on a go-forward basis. *See Nuverra*, 590 B.R. at 96 ("the Bankruptcy Court found the Plan's separate classification of those claims to be reasonable…One[e] such justifiable rationale for separately classifying certain trade creditors from others is the debtors' intention of a continuing business relationship with such trade creditors as here. In its submissions, the debtors clearly explain that separate classification is necessary to maintain ongoing business relationships that [t]he debtors need to ensure the continuance of operations.").

11. Here, the Debtor has separately classified Critical Athlete claims because these athletes' services are not fungible. Indeed, the Debtor's entire business model depends upon

retaining relationships with elite, world-class track athletes. Unlike typical vendor relationships, athlete relationships are personal and cannot be replicated. Similarly, Critical Vendors provide specialized services in the sports and entertainment industry that are essential to the Debtor's operations. These rational business justifications are entirely independent of any motivation to obtain Plan acceptance. There is no business and no reorganization without the support of the athletes holding Critical Athlete Claims.

B. The Plan Does Not Violate Section 1129 of the Bankruptcy Code

12. The Committee's section 1129(b)(1) objection is premature. Section 1129(b) applies *only* if an impaired class rejects the Plan, which is something that will not be known until after voting. *See* 11 U.S.C. § 1129(a)(8). The Committee does not control the entire General Unsecured Creditor class, which could easily conclude that a guaranteed recovery is preferable to the Committee's uncertain, value destructive litigation scenario. These disputes cannot be addressed prior to solicitation and voting.

13. Moreover, the Committee's contention that "the Critical Athletes, Critical Vendors, and General Unsecured Creditors are all similarly situated creditors that have been split between three classes in order to unfairly discriminate against the General Unsecured Creditors" conflates two distinct legal concepts. First, "unfair discrimination" applies only to the extent section 1129(b) is triggered. Second, the Bankruptcy Code does not require that all general unsecured claims be placed in the same class. Both are plan confirmation issues, not disclosure statement issues.

14. Even on the merits, the Committee's "unfair discrimination" argument fails. In *Nuverra*, the issue of unfair discrimination was adjudicated at plan confirmation only *after* an impaired class rejected the plan. 590 B.R. at 80. Under the plan at issue in *Nuverra*, secured creditors receiving less than 100% recovery on their secured claims made a gift to general

unsecured creditors (who would otherwise receive no distribution) to enable the debtors to reorganize. In upholding the Bankruptcy Court's confirmation ruling, the District Court found that the plan did not unfairly discriminate despite disparate treatment of unsecured creditors, reasoning that "[a]s unfair discrimination is not defined in the Bankruptcy Code, courts must examine the facts and circumstances of the particular case to determine whether unfair discrimination exists." *Id.* at 90, 93. The District Court further confirmed that "horizontal gifting" (on which the Debtor's Plan is premised) is not prohibited. *Id.* The Committee's reliance on *Tribune* and other cases is similarly misplaced: in each, the unfair discrimination analysis occurred at confirmation, not the disclosure statement stage. *See, e.g.*, In re Tribune Co., 972 F.3d 228, 236 (3d Cir. 2020) (rejecting senior noteholders' unfair discrimination argument brought in connection with confirmation); *In re Armstrong World Indus., Inc.*, 348 B.R. 111, 119 (D. Del. 2006) (resolving unfair discrimination objection at confirmation stage).

C. The Plan Has Been Proposed In Good Faith

15. The Committee's good faith objection fares no better. The Committee asserts that the Debtor is attempting to treat Critical Athletes and Critical Vendors with which the Reorganized Debtor intends to conduct business with in the future differently from General Unsecured Creditors in order to "cram down a chapter 11 plan," but whether and to what extent the cramdown requirements of section 1129(b) of the Bankruptcy Code *ever* come into play will depend on voting outcomes. Such issues are plan confirmation, not disclosure statement, issues.

16. Moreover, attempting to confirm a plan over an objecting class of creditors does not mean that the Plan has not been proposed in good faith. Good faith under section 1129(a)(3) requires that the plan: (1) foster a result consistent with the Bankruptcy Code's objectives; (2) be proposed with honesty and a basis for expecting reorganization; and (3) reflect fundamental

fairness. *See In re Boy Scouts of Am. & Delaware BSA, LLC*, 650 B.R. 87, 175 (D. Del. 2023). The Plan satisfies each requirement: it provides all creditors with recoveries *at least* equal to what they would receive in a Chapter 7 liquidation (where unsecured creditors would receive nothing) while preserving the Debtor as a going concern; the Plan Sponsor has committed to funding the New Value Contribution; and the Plan provides some recovery to all creditor classes. The Committee's accusations of bad faith are based on speculation and unsubstantiated allegations that have no bearing on disclosure statement approval.

17. Here, the Plan provides for different treatment to Critical Athletes because their services are not replaceable and the future prospects of the Reorganized Debtor hinge upon being able to engage and transact with such Critical Athletes. The Debtor believes that, in order to be able to engage in the future with Critical Athletes, the Debtor's current obligations to such Critical Athletes must be sufficiently addressed. Similarly, the Debtor believes that the Critical Vendors are critical to the Debtor's future business success. Moreover, as and to the extent a Critical Athlete or Critical Vendor is willing to accept less than what the Plan provides, they may do so in accordance with the Plan.

D. The Proposed Ballots Have Been Modified.

18. The Debtor has addressed the Committee's concern regarding the ballots. The amended ballots, filed concurrently herewith, now expressly provide the option for holders of Critical Athlete Claims and Critical Vendor Claims to elect Class 3C treatment.

E. The Committee Should Not Be Permitted to Include a Letter in the Solicitation Materials.

19. The Committee should not be authorized to include a one-sided letter attempting to influence the votes of creditors without the Debtor, parties in interest, and the Court having an opportunity to review the letter, and for any objections to such letter to be brought by the Debtor

and other parties in interest, and considered and approved by the Court. Given the inflammatory and unsubstantiated accusations in the Objection, the Debtor has serious concerns about what the Committee might include in any such letter.

F. The Disclosure Statement Contains Adequate Information.

20. Notably absent from the Committee's Objection is any substantive challenge to the adequacy of information contained in the Disclosure Statement. The Committee does not contend that the Disclosure Statement fails to satisfy the requirements of section 1125 of the Bankruptcy Code, which is the actual standard for approval here. The Disclosure Statement provides comprehensive information regarding all matters typically required, including the circumstances giving rise to the Chapter 11 Case, the Debtor's assets and their value, a Liquidation Analysis, information regarding claims, and a summary of the Plan. The Disclosure Statement satisfies the "adequate information" standard, and the Committee has not argued otherwise.

CONCLUSION

21. For all the foregoing reasons, the Court should overrule the Committee's Objection and grant the relief requested in the Disclosure Statement Motion. The objections raised by the Committee are not proper grounds to deny approval of the Disclosure Statement—they are plan confirmation issues that should be, and will be, addressed at the Confirmation Hearing. In the meantime, creditors should be permitted to vote and express their preference on the proposed Plan.

[*Remainder of Page Intentionally Left Blank*]

WHEREFORE, the Debtor respectfully requests that the Court (i) overrule the Committee's Objection, (ii) enter the Proposed Order, substantially in the form attached to the Disclosure Statement Motion as Exhibit A, granting the relief requested therein, and (iii) grant the Debtor such other relief as is appropriate.

Dated: March 10, 2026,
Wilmington, Delaware

Respectfully submitted,

REED SMITH LLP

By: */s/ Matthew P. Milana*

Jason D. Angelo (No. 6009)
Matthew P. Milana (No. 6681)
1201 North Market Street, Suite 1500
Wilmington, DE 19801
Telephone: (302) 778-7500
Facsimile: (302) 778-7575
Email: jangelo@reedsmith.com
Email: mmilana@reedsmith.com

- and -

David B. Golubchik, Esq. (admitted *pro hac vice*)
Krikor J. Meshefejian, Esq. (admitted *pro hac vice*)
LEVENE, NEALE, BENDER, YOO & GOLUBCHIK L.L.P.
2818 La Cienega Avenue
Los Angeles, CA 90034
Telephone: (310) 229-1234
Facsimile: (310) 229-1244
Email: dbg@lnbyg.com
Email: kjm@lnbyg.com

Counsel for the Debtor and Debtor in Possession