

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

In re:	§	Chapter 11
	§	
CEC ENTERTAINMENT, INC., et al.,	§	Case No. 20-33163 (MI)
	§	
Debtors.¹	§	(Jointly Administered)
	§	(Emergency Hearing Requested)

**EMERGENCY MOTION OF DEBTORS FOR ORDER
(I) APPROVING BIDDING PROCEDURES ESTABLISHING A SALE PROCESS
FOR THE DEBTORS' REORGANIZED EQUITY OR ASSETS, (II) SCHEDULING
AUCTION, (III) APPROVING CURE NOTICE PROCEDURES FOR EXECUTORY
CONTRACTS AND UNEXPIRED LEASES, AND (IV) GRANTING RELATED RELIEF**

Emergency relief has been requested. A hearing will be conducted on this matter on September 29, 2020 at 3:00 pm (CST). You may participate in the hearing by audio/video connection.

Audio communication will be by use of the Court's dial-in facility. You may access the facility at (832) 917-1510. You will be responsible for your own long distance charges. Once connected, you will be asked to enter the conference room number. Judge Isgur conference room number is 954554.

You may view video via GoToMeeting. To use GoToMeeting, the Court recommends that you download the free GoToMeeting application. To connect, you should enter the meeting code "JudgeIsgur" in the GoToMeeting app or click the link on Judge Isgur's home page on the Southern District of Texas website. Once connected, click the settings icon in the upper right corner and enter your name under the personal information setting.

Hearing appearances must be made electronically in advance of the hearing. To make your electronic appearance, go to the Southern District of Texas website and select "Bankruptcy Court" from the top menu. Select "Judges' Procedures," then "View Home Page" for Judge Isgur. Under "Electronic Appearance" select "Click here to submit Electronic

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are BHC Acquisition Corporation (0947); CEC Entertainment Concepts, L.P. (3011); CEC Entertainment Holdings, LLC (9147); CEC Entertainment, Inc. (5805); CEC Entertainment International, LLC (8177); CEC Entertainment Leasing Company (4517); CEC Leaseholder, LLC (N/A); CEC Leaseholder #2, LLC (N/A); Hospitality Distribution Incorporated (5502); Peter Piper Holdings, Inc. (6453); Peter Piper, Inc. (3407); Peter Piper Texas, LLC (6904); Peter Piper Mexico, LLC (1883); Queso Holdings, Inc. (1569); SB Hospitality Corporation (4736); SPT Distribution Company (8656); and Texas PP Beverage, Inc. (6895). The Debtors' corporate headquarters and service address is 1707 Market Place Boulevard #200, Irving, TX 75063.

Appearance”. Select the case name, complete the required fields and click “Submit” to complete your appearance.

If you object to the relief requested or you believe that emergency consideration is not warranted, you must either appear at the hearing or file a written response prior to the hearing. Otherwise, the Court may treat the pleading as unopposed and grant the relief requested.

Relief is requested not later than September 29, 2020.

CEC Entertainment, Inc. and its debtor affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**” or the “**Company**”), respectfully represent as follows in support of this motion (this “**Motion**” or this “**Bidding Procedures Motion**”):

Preliminary Statement

1. Since the outset of these cases, the Debtors have been diligently working to formulate a strategy for a successful restructuring of their businesses in the face of unprecedented uncertainty resulting from the novel coronavirus global pandemic. The Debtors, with the assistance of their professional advisors, have devoted significant time and energy to refine and adapt their business plan and go-forward strategy to address current and future market conditions. The Debtors have also engaged in negotiations with various stakeholders in an effort to formulate a value-maximizing path forward in resolution of these chapter 11 cases.

2. After evaluating their strategic options, the Debtors determined to pursue a flexible, value-maximizing financial restructuring process set forth in the Restructuring Term Sheet (as defined below; such process, the “**Restructuring**”). To that end, the Debtors have negotiated at arm’s length a Plan Support Agreement, dated as of September 4, 2020 (the “**PSA**”); a restructuring term sheet attached to the PSA (the “**Restructuring Term Sheet**”); and a \$200 million debtor-in-possession loan facility to fund, among other things, the Restructuring (the “**DIP**”

Facility”) with a group of Consenting Creditors (as defined in the PSA) comprising certain unaffiliated holders of First Lien Debt Claims and Senior Unsecured Note Claims. The PSA and Restructuring Term Sheet reflect an overall agreement on an approach to a flexible, value-maximizing Restructuring in resolution of these chapter 11 cases that will permit the Debtors to obtain the short- and long-term financing necessary to conduct an orderly Sale Process, file and confirm a Plan, and emerge from chapter 11 with a healthy balance sheet and sufficient go-forward liquidity. In accordance with the PSA, the Debtors’ joint chapter 11 plan of reorganization (the “**Plan**”), whether (i) a Sale Plan (as defined below) or (ii) a plan premised on either (a) a debt-for-equity exchange (an “**Exchange Plan**”) or (b) the Credit Bid (as defined below) pursuant to an Acquisition Agreement (a “**Credit Bid Plan**”), will be consistent in all material respects with the Restructuring Term Sheet.

3. The Debtors will effectuate the Restructuring by continuing their already robust and comprehensive marketing efforts (the “**Marketing Process**”) as part of a formalized sale process (the “**Sale Process**”) that is intended to generate the greatest level of interest in the Debtors’ businesses. Through the Sale Process, the Debtors will seek to solicit one or more binding bids from third parties (each, a “**Third-Party Bid**”) for the acquisition of either (i) the equity interests of the Reorganized Debtors (as defined below; such interests, the “**Reorganized Equity**”) and such transaction, an “**Equity Sale**”) or, alternatively or in combination therewith, (ii) up to all or substantially all of the Debtors’ assets (the “**Assets**”; any such transaction, an “**Asset Sale**” and each of an Equity Sale and an Asset Sale, a “**Sale Transaction**”). In each case and as described in greater detail below, the Debtors may seek to consummate one or more Sale Transactions pursuant to a chapter 11 plan (the “**Sale Plan**”) and either (i) an investment agreement (an “**Investment Agreement**”) or (ii) an asset purchase agreement (an “**Asset Purchase Agreement**,”

and, together with an Investment Agreement, each an “**Acquisition Agreement**”), as applicable. Accordingly, any Sale Transaction will be subject to the approval of the Bankruptcy Court, which approval shall be sought in connection with the confirmation of the Plan at a sale and confirmation hearing (the “**Sale and Confirmation Hearing**”). The Debtors will not close any Sale Transaction if the Sale Plan is not confirmed by the Bankruptcy Court.

4. As described in greater detail below, to ensure that each Third-Party Bid will yield at least a minimally acceptable amount of value for the Debtors’ estates, a Reserve Price (as defined in the Bidding Procedures and provided by the Consenting Creditors) will be revealed to all known potential bidders prior to the time at which binding bids are due. Additionally, the First Lien Lenders shall have the right to credit bid, which for the avoidance of doubt may also include cash and/or other forms of consideration (such right, the “**Credit Bid Right**”; any such bid, a “**Credit Bid**”) up to the full amount of the First Lien Debt Claims to acquire the Reorganized Equity or Assets, in whole or in part, through a new Delaware limited liability company organized by their Administrative Agent at the direction of the Consenting Creditors pursuant to section 363(k) of the Bankruptcy Code. Moreover, as set forth in greater detail below, the Debtors shall have the unconditional right, at any time, and in accordance with their fiduciary duties, to terminate the Sale Process, including prior to the Binding Bid Deadline. In addition, in the event that no Third-Party Bids constitute a Qualified Bid following the completion of the marketing process (or such earlier time as may be determined by the Debtors), or if one or more Third-Party Bids (taken together) exceeds the Reserve Price but (i) the Credit Bid is the highest or otherwise best bid at the Auction (if any) or (ii) such Third-Party Bids, prior to the hearing on confirmation of the Plan, are withdrawn or modified such that the Reserve Price or Credit Bid, as applicable, is not reasonably

likely to be exceeded on the effective date of the Plan, the Debtors have the unconditional right to terminate the Sale Process and instead seek to confirm a Credit Bid Plan or an Exchange Plan.

5. By way of this Motion, the Debtors are taking the first step in effectuating the Restructuring by seeking approval of the Debtors' proposed Bidding Procedures. The Bidding Procedures establish a formal framework governing the Sale Process and were designed by the Debtors, with the assistance of their professional advisors, to be fair, open, and foster competitive bidding. The Bidding Procedures are intended to generate the greatest level of interest in the Reorganized Equity and Assets, in whole or in part, and to facilitate a value-maximizing Sale Transaction in an appropriately timely and flexible manner. The Debtors propose to establish the following key dates and deadlines for the Sale Process:

Key Event or Deadline		Date and Time
1.	Indication of Interest Deadline	September 15, 2020, at 5:00 p.m. (prevailing Eastern Time) , subject to certain exceptions.
2.	Hearing to consider approval of Bidding Procedures and entry of Bidding Procedures Order	September 29, 2020
3.	Deadline for Consenting Creditors to deliver Reserve Price to Debtors	October 14, 2020
4.	Deadline for Debtors to notify Potential Bidders of Reserve Price	October 15, 2020
5.	Binding Bid Deadline	October 21, 2020 at 5:00 p.m. (prevailing Eastern Time)
6.	Deadline for Debtors to notify applicable Third-Party Bidders of (i) status as Qualified Bidder and (ii) of selection of Baseline Bid	October 23, 2020 at 5:00 p.m. (prevailing Eastern Time)
7.	Auction (if any) to be held (i) at the offices of Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 or (ii) virtually pursuant to procedures to be announced to Qualified Bidders	October 28, 2020, at 10:00 a.m. (prevailing Eastern Time)

	Key Event or Deadline	Date and Time
8.	Deadline to file notice of and identities of (i) Successful Bid(s) and Successful Bidder(s) and (ii) Back-Up Bid(s) and Back-Up Bidders	Promptly upon the conclusion of the Auction, but in any event no later than two (2) business days afterwards

6. The Debtors believe that approval of the proposed Bidding Procedures is necessary to facilitate a full and fair Sale Process. Accordingly, the Debtors respectfully request that this Court approve the proposed Bidding Procedures.

Relief Requested

7. By this Motion, pursuant to sections 105, 365 and 1123 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 9007, 9013, and 9014, and Local Rule 9013-1, the Debtors request the entry of an order (the “**Bidding Procedures Order**”), a proposed form of which is attached hereto as Exhibit A:

- a. approving the procedures attached as Exhibit 1 to the proposed Bidding Procedures Order (the “**Bidding Procedures**”);
- b. scheduling, as necessary, an auction (the “**Auction**”) in connection with any Sale Transaction
- c. approving procedures for identifying disputes over amounts necessary to cure defaults under executory contracts and unexpired leases in connection with the potential assumption or assumption and assignment of such agreements (the “**Cure Notice Procedures**”); and
- d. granting related relief.

The Debtors do not hereby seek approval of a stalking horse bid, a termination fee, or the ability to use, sell, or lease property of the estate outside of the ordinary course of business.

Background

8. The Debtors, on June 24, 2020 (the “**Petition Date**”), commenced their chapter 11 cases by filing voluntary petitions in this Court under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On July 13, 2020, the United States Trustee (the “**U.S. Trustee**”) appointed an official committee of unsecured creditors (the “**Creditors’ Committee**”) in these chapter 11 cases pursuant to section 1102 of the Bankruptcy Code. No trustee or examiner has been appointed in these chapter 11 cases. The Debtors’ chapter 11 cases are being jointly administered for procedural purposes only pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and Rule 1015-1 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the Southern District of Texas (the “**Local Rules**”).

9. The Debtors, together with their non-debtor affiliates, are a leading family entertainment and dining company with a global network of dining, entertainment, and arcade centers that are operated and franchised under the names “Chuck E. Cheese” and “Peter Piper Pizza”. The venues deliver a kid-friendly atmosphere and feature an array of wholesome entertainment offerings including arcade-style and skill-oriented games, rides, live entertainment shows, and the opportunity for guests to win tickets and redeem prizes such as toys, plush dolls, and branded merchandise.

10. Additional information regarding the Debtors’ businesses, capital structure, and the circumstances leading to the commencement of these chapter 11 cases is set forth in the *Declaration of James Howell in Support of Debtors’ Chapter 11 Petitions and First Day Relief* (the “**First Day Declaration**”).

Jurisdiction

11. This Court has subject matter jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

Marketing Process

12. Early in these chapter 11 cases, the Debtors, with the assistance of their professional advisors, launched the Marketing Process to generate interest in one or more Sale Transactions for the Debtors' Reorganized Equity and/or Assets, in whole or in part. The Marketing Process is being led by the Debtors' investment banker, PJT Partners LP ("**PJT Partners**"), who has, among other things, developed comprehensive marketing materials and created a confidential electronic data room (the "**Data Room**") to permit potential third-party buyers to conduct due diligence. To date, and over the past several weeks, PJT Partners has contacted 127 parties identified as potential third-party bidders, including both financial and strategic parties, 12 of which executed confidentiality agreements (each, a "**Confidentiality Agreement**") and have access to the Data Room. The Debtors have clearly communicated to these potential third-party buyers that they must provide initial non-binding indications of interest (each, a "**Non-Binding Indication of Interest**") no later than **September 15, 2020 at 5:00 p.m.** (**prevailing Eastern Time**) (the "**Indication of Interest Deadline**") to continue in the Sale Process, so that the Debtors will be able to evaluate in a timely manner the level of serious interest in a bid process, an auction, and/or consummating one or more Sale Transactions.

13. The Debtors now seek, by notice of this Motion, to expand the Marketing Process to all parties in interest in these chapter 11 cases and to incorporate the Marketing Process into the formalized Sale Process set forth in the Bidding Procedures. In that regard, the Bidding

Procedures establish a straightforward process for additional interested third parties to become potential bidders (each, a “**Potential Bidder**”) and gain access to the due diligence materials related to the Assets and the equity interests of the Debtors contained in the Data Room. Recognizing that the Indication of Interest Deadline will pass before the entry of the Bidding Procedures Order and to provide for a more expansive Marketing Process in these cases, the Bidding Procedures provide that any Potential Bidder that (i) was not contacted by the Debtors’ advisors regarding the Sale Process prior to the filing of the Bidding Procedures Motion and (ii) requires more time to submit a Non-Binding Indication of Interest, may deliver one by **September 29, 2020 at 5:00 p.m. (prevailing Eastern Time)** after notifying certain of the Debtors’ advisors by no later than **September 22, 2020 at 5:00 p.m. (prevailing Eastern Time)** of their intent to do so. The Debtors believe that incorporating the Marketing Process into the formalized Sale Process set forth in the Bidding Procedures will increase interest in the Reorganized Equity and/or the Assets, in whole or in part, and thereby provide more opportunities for the Debtors to consummate a value-maximizing Sale Transaction for the benefit of their stakeholders.

Need for a Timely Sale Process

14. The Debtors believe that the time periods set forth in the Bidding Procedures are reasonable and will provide all Potential Bidders (including Potential Bidders, if any, that were not contacted by PJT Partners during the Marketing Process) with sufficient time and information to submit a Third-Party Bid for the Reorganized Equity or some or all of the Assets. In formulating the Bidding Procedures and the time periods set forth therein, the Debtors balanced the need to provide adequate and appropriate notice to parties in interest and Potential Bidders with the need to efficiently and expeditiously run a Sale Process. The Debtors’

formulation of the time periods set forth Bidding Procedures was also informed by the fact that the Marketing Process has been underway since August 17, 2020 such that many Potential Bidders already have access to comprehensive information that is compiled in the Data Room. To the extent any other Potential Bidder may exist, such parties will have the opportunity to submit a Non-Binding Indication of Interest two weeks after the deadline for Potential Bidders that were previously contacted (but remain bound by the other Bidding Procedures deadlines). In light of the foregoing, the Debtors have determined that conducting a Sale Process in accordance with the time periods set forth in the Bidding Procedures is in the best interests of the Debtors' estates.

15. In addition, the Debtors derive substantial benefits from the PSA and the Consenting Creditors' agreement to provide the DIP Facility, including—most importantly—a path to exit these chapter 11 cases and the financing to pursue such path. Both the PSA and the DIP Facility require the Debtors to pursue the Sale Process in accordance with certain agreed-upon milestones (the “**Milestones**”) that the Debtors believe are reasonable. The Sale Process-related Milestones (among other Milestones set forth in the PSA and the DIP Facility) are:

- a. by the date that is no later than September 11, 2020, the Debtors shall file the Bidding Procedures Motion;
- b. by the date that is no later than September 23, 2020, the Debtors shall file the Plan and Disclosure Statement;
- c. by the date that is no later September 29, 2020, the Debtors shall have obtained entry of the Bidding Procedures Order;
- d. if the Plan Without Third-Party Sale Toggle (as defined in the Restructuring Term Sheet) has not occurred prior to such time, the Binding Bid Deadline shall be no later than October 21, 2020;
- e. if the Plan Without Third-Party Sale Toggle has not occurred prior to such time, the Auction shall have occurred by no later than October 28, 2020;
- f. by the date that is no later than November 6, 2020, the Debtors shall obtain entry of the Disclosure Statement Order, which shall be in a

form and substance reasonably acceptable to the Third-Party Successful Bidder(s), if any; *provided* that if the Plan Without Third-Party Sale Toggle has occurred prior to the Debtors filing the Plan and Disclosure Statement, the Debtors shall obtain entry of the Disclosure Statement Order by the date that is no later than forty (40) days after the filing of the Plan and Disclosure Statement.

- g. by the date that is no later than forty-five (45) days after entry of the Disclosure Statement Order, the Debtors shall obtain entry of the Confirmation/Sale Order, which, in addition to the other requirements of this Agreement, shall be in form and substance reasonably acceptable to the Third-Party Successful Bidder(s), if any; and
- h. by the date that is no later than twenty-one (21) days after entry of the Confirmation/Sale Order, the Debtors will cause the Plan to be substantially consummated (contemporaneously with the closing of the Sale, if applicable) (the “**Effective Date**”).

Under the circumstances, the Debtors should be permitted to proceed in accordance with the Milestones because they permit ample time for Potential Bidders to fully participate while still providing for an efficient Sale Process and maintain and preserve the value of the DIP Facility and/or the PSA.

16. To conduct the comprehensive and orderly Sale Process contemplated by the Bidding Procedures, the Debtors need access to the postpetition financing sought in connection with the DIP Motion. Moreover, for the Debtors to derive the substantial benefits from the PSA and the DIP Facility and, in turn, maximize value for their stakeholders through the Sale Process, the Debtors need to adhere to the Milestones set forth in the PSA. Accordingly, the Debtors request that the Court approve the relief requested herein in accordance with the time periods set forth in the Bidding Procedures to ensure the Debtors’ compliance with the terms of the PSA, the Restructuring Term Sheet, and the DIP Facility.

Bidding Procedures

17. The Debtors respectfully request entry of the Bidding Procedures Order and the Bidding Procedures. The Bidding Procedures establish formal framework governing the Sale Process and were designed by the Debtors, with the assistance of their professional advisors, to be fair, open, and foster competitive bidding. The Bidding Procedures are intended to generate the greatest level of interest in the Reorganized Equity or Assets, in whole or in part, and to facilitate a value-maximizing Sale Transaction in an appropriately timely and flexible manner consistent in all respects with the PSA, Restructuring Term Sheet, and DIP Facility. If approved, the Bidding Procedures will allow the Debtors to solicit and identify Third-Party Bids in excess of the Reserve Price that constitute the highest and best offer(s) for the Reorganized Equity or some or all of the Assets, as applicable, while concurrently providing the Debtors with the flexibility to pursue the confirmation of an alternative chapter 11 plan in accordance with their fiduciaries duties.

18. The Debtors believe the proposed Bidding Procedures summarized below are fair and appropriate. Because the Bidding Procedures are attached as **Exhibit 1** to the Bidding Procedures Order, they are not restated in their entirety herein. The Bidding Procedures provide, among other things, the following²:

- a. the Debtors will implement a straight forward process pursuant to which interested third-parties may gain reasonable access to the Debtors' Data Room and any other additional information that the Debtors believe to be reasonable and appropriate under the circumstances each by becoming a Potential Bidder after (i) executing a Confidentiality Agreement, (ii) providing certain confirmatory financial information, and (iii) designating a Potential Bidder Contact Person;
- b. the Debtors will solicit from each Potential Bidder a Non-Binding Indication of Interest with respect to the Reorganized Equity or

² Capitalized terms used in the subparts to this paragraph but not otherwise defined therein shall have the meaning ascribed to such terms in the Bidding Procedures.

some or all of the Assets, as applicable, by the Indication of Interest Deadline of **September 15, 2020, at 5:00 p.m. (prevailing Eastern Time)**, except where a Potential Bidder (i) was not contacted by the Debtors' advisors regarding the Sale Process prior to the filing of the Bidding Procedures Motion, (ii) requires more time to submit a Non-Binding Indication of Interest, and (iii) notifies one (1) of the PJT Partners' Designated Contact Persons by no later than **September 22, 2020 at 5:00 p.m. (prevailing Eastern Time)** of such matters, such Potential Bidder may deliver a Non-Binding Indication of Interest no later than **September 29, 2020 at 5:00 p.m. (prevailing Eastern Time)**;

- c. by no later than **October 14, 2020**, the Requisite Consenting Creditors will provide the Reserve Price to the Debtors, who will by the earlier of one (1) business day thereafter or **October 15, 2020** notify each Potential Bidder of such Reserve Price;
- d. the Debtors will solicit binding Third-Party Bids for the Reorganized Equity or some or all of the Assets, as applicable, by the Binding Bid Deadline of **October 21, 2020, at 5:00 p.m. (prevailing Eastern Time)**;
- e. in connection with any Sale Transaction, the First Lien Lenders shall have the right to Credit Bid up to the full amount of the First Lien Debt Claims to acquire the Reorganized Equity or Assets, in whole or in part, of the Debtors through a new Delaware limited liability company organized by their Administrative Agent at the direction of the Consenting Creditors;
- f. to be deemed a Qualified Bid, a Bid must be received by no later than the Binding Bid Deadline and must include, at a minimum:
 - (1) a Proposed Acquisition Agreement for the acquisition of all, some, or any one of the Reorganized Equity or Assets, which complies in all material respects with the Restructuring Term Sheet;
 - (2) a Purchase Price in excess of the Reserve Price, unless (x) the Third-Party Bid is for some portion of the Assets that is less than the whole, (y) there is one or more Third-Party Bid(s) for a different portion of the Assets that is less than the whole, and (z) the Debtors, in the exercise of their business judgement and in consultation with the Consultation Parties, reasonably believe that the Third-Party Bids, collectively, would exceed the Reserve Price, and (ii) an initial overbid, consisting of at least \$10,000,000;

- (3) specify (i) the Reorganized Equity or Assets, in whole or in part, as applicable, sought to be acquired as well as (ii) which Assets, if any, are not sought to be acquired;
- (4) specify the form of consideration in (A) (i) all cash or (ii) non-cash components, and (B) cash consideration in excess of the Reserve Price;
- (5) an unconditional commitment that the Bid is binding, not subject to further diligence or financing, and irrevocable until said Bid is not deemed the Successful Bid or Back-Up Bid;
- (6) proof of financial and other information demonstrating the Potential Bidder's ability to consummate the applicable Sale Transaction and perform under any Contract (if applicable);
- (7) identify Proposed Assumed Contracts, which may be later amended;
- (8) a statement or evidence reflecting the Potential Bidder's (i) compliance with certain antitrust laws, (ii) ability to obtain regulatory and governmental approvals, and (iii) the Bid is reasonably likely to be consummated within a reasonable timeframe;
- (9) (A) disclose the identity of the Potential Bidder and each participant in its Bid and (B) (i) demonstrate corporate (or comparable organizational) authorization to submit the Bid, participate in the Auction, and close a Sale Transaction;
- (10) specify (i) whether the Potential Bidder seeks to hire some or all of the Debtors' employees and (ii) indicate the intended treatment of various Employee Obligations;
- (11) expressly state that the Bid does not entitle the Potential Bidder to any break-up fee, termination fee, expense reimbursement, or similar type of payment;
- (12) disclose any connections to the (i) Debtors, (ii) any other known Potential Bidder, and/or (iii) any officer or director of the Debtors;
- (13) represent and warrant that the Potential Bidder (i) had the opportunity to conduct any and all due diligence prior to submitting its Bid, (ii) relied solely upon its own independent review, investigation, and/or inspection in making its Bid, (iii) has not engaged in collusion with

respect to its Bid, (iv) provided correct and truthful proof of financial ability to consummate any applicable Sale Transaction in a timely manner, and (v) agrees to be bound by the terms of the Bidding Procedures; and

- (14) include (i) a Deposit, unless otherwise agreed by the Debtors and Potential Bidder, to be deposited with the Escrow Agent pursuant to an escrow agreement, (ii) the contact information of the Potential Bidder Contact Person and any other specified persons, (iii) a covenant to cooperate with the Debtors and provide information for antitrust legal analysis, (iv) a detailed analysis of the value of any non-cash component of the Bid, if any, and documentation supporting such value, and (v) a statement as to whether the Bid is consistent with the terms of the Restructuring Term Sheet, and, if not, a detailed explanation of any inconsistency and the reason therefor.
- g. the Debtors, in consultation with the Consultation Parties, will review all timely Bids and notify each Qualified Bidder of its status as a Qualified Bidder by the Qualified Bid Deadline of **October 23, 2020, at 5:00 p.m. (prevailing Eastern Time)**;
 - h. if the Debtors do not receive any Qualified Bids other than a Credit Bid, if any, they shall cancel the Auction and file a notice thereof by **October 23, 2020 at 5:00 p.m. (prevailing Eastern Time)** (i) with the Bankruptcy Court, and (ii) on the Claims Agent Website;
 - i. in the event that there is an Auction:
 - (1) it shall be held on **October 26, 2020, beginning at 10:00 a.m. (prevailing Eastern Time)** at (i) the offices of Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 or (ii) virtually pursuant to procedures to be announced to bidders;
 - (2) only Qualified Bidders, including the Administrative Agent, may participate;
 - (3) professionals of the Debtors, Consenting Creditors, and Creditors' Committee may attend and observe the Auction;
 - (4) Qualified Bidders will be permitted to increase their bids by in increments of no less than the Minimum Overbid Amount of \$10,000,000;

- (5) the Debtors, in consultation with the Consultation Parties, will be permitted to request best and final offers from Qualified Bidders;
 - (6) Potential Bidders and their representatives may not communicate with one another;
 - (7) all parties in attendance must keep the proceedings and results confidential;
 - (8) the Debtors, in consultation with the Consultation Parties, (A) may identify as the Successful Bid(s) the highest or otherwise best Qualified Bid as either (i) one or more Third-Party Successful Bid(s) or (ii) a Successful Credit Bid, and (B) designate a Back-Up Bid and Back-Up Bidder; and
 - (9) within two (2) calendar days after the conclusion of the Auction, the Debtors shall file a Notice of Auction Results (i) with the Bankruptcy Court and (ii) on the Claims Agent Website;
- j. the Debtors have the unconditional right at any time, and in accordance with their fiduciary duties, to terminate the Sale Process at any time, including (i) prior to the Binding Bid Deadline and (ii) in the event that no Third-Party Bids constitute a Qualified Bid following the completion of the marketing process (or such earlier time as may be determined by the Debtors), or if one or more Third-Party Bids (taken together) exceeds the Reserve Price but (x) the Credit Bid is the highest or otherwise best bid at the Auction (if any) or (y) such Third-Party Bids, prior to the hearing on confirmation of the Plan, are withdrawn or modified such that the Reserve Price or Credit Bid, as applicable, is not reasonably likely to be exceeded on the effective date of the Plan;
- k. if the Debtors terminate the Sale Process, they will provide a Termination Notice (i) to all known Potential Bidders by written communication to each respective Potential Bidder Contact Person; (ii) by filing a notice with the Bankruptcy Court; and (iii) by publishing a notice on the Claims Agent Website;
- l. any Sale Transaction between the Debtors and one or more Third-Party Successful Bidder(s) will be (i) consummated pursuant to a Sale Plan, consistent in all material respects with the Restructuring Term Sheet, and (ii) subject to the Bankruptcy Court's approval at a properly noticed Sale and Confirmation Hearing; and
- m. prior to the Sale and Confirmation Hearing, but in connection therewith, parties in interest will have an opportunity to object to the

Sale Plan, any Acquisition Agreement, and any Sale Transaction contemplated thereunder, in accordance with the Bankruptcy Code, the Bankruptcy Rules, and Local Rules.

19. The Debtors believe these Bidding Procedures are fair, appropriate, and will facilitate an open and transparent Sale Process by which the Debtors will seek to maximize the value of the Reorganized Equity or Assets, in whole or in part. Therefore, the Debtors respectfully request that the Court enter the Bidding Procedures Order approving these Bidding Procedures in their entirety.

Cure Notice Procedures

20. A central part of the Restructuring is the Debtors' anticipated assumption (of, if applicable, assumption and assignment) of certain of their executory contracts and unexpired leases in connection with the Plan, whether a Sale Plan, Credit Bid Plan, or Exchange Plan. Among other reasons, such agreements are critical components of the Debtors' business model and operations. Accordingly, the Debtors and any potential buyer in the Sale Process have a pressing need for the implementation of an orderly and streamlined process by which the Debtors can identify and evaluate any liabilities associated with potential Cure Costs (as defined below). Among other things, leaving asserted Cure Costs unknown throughout the Sale Process is likely to create substantial uncertainty regarding the Debtors' liabilities and result in a lower likelihood of success in the Sale Process. Accordingly, the Debtors propose that the Cure Notice Procedures set forth below should be implemented. However, given the centrality of these procedures to the Restructuring, irrespective of whether the Sale Process results in the consummation of any Sale Transaction or is terminated in accordance with the Debtors' fiduciary duties, the Debtors expressly intend for these Cure Notice Procedures to be severable in their entirety from the Sale Process established by the Bidding Procedures such that they will survive the termination (if any) of the Sale Process. Moreover, although the Cure Notice Procedures are intended to help the

Debtors understand their asserted Cure Costs, they are intended to help the Debtors and any potential buyer understand Cure Costs under all executory contracts and unexpired leases and will not limit the Debtors' ability to assume, assume and assign, or reject executory contracts or unexpired leases under the Plan. Actual assumption, rejection, or assumption and assignment will not occur until Plan confirmation. As set forth in the Bidding Procedures Order, the Debtors propose the following Cure Notice Procedures:

- a. By no later than **September 23, 2020**, the Debtors will file a notice (the "**Cure Notice**") identifying (a) each executory contract and unexpired lease (and the relevant Counterparty (as defined below) thereto) having a known non-zero Cure Cost and (b) the amount the Debtors believe is necessary to cure all monetary defaults under such agreement pursuant to section 365 of the Bankruptcy Code (the "**Cure Costs**").
- b. Upon the filing of the Cure Notice, the Debtors will serve the Cure Notice on each of the non-Debtor counterparties (each, a "**Counterparty**") listed on the Cure Notice by first-class mail. The Cure Notice will state that the Debtors are evaluating whether to seek (but are not required to seek) the assumption of executory contracts and unexpired leases in connection with the Plan, which may involve one or more Sale Transaction(s), and include (i) identification of each executory contract and unexpired lease of the Debtors having a non-zero Cure Cost and (ii) the deadline for objecting (a "**Cure Objection**") to the amount of the proposed Cure Costs related to each listed executory contract or unexpired lease, which deadline will be **October 12, 2020 at 5:00 p.m. (prevailing Eastern Time)** (such deadline, the "**Cure Objection Deadline**").
- c. Each Cure Objection must be filed with the Bankruptcy Court and served on the following parties so as to be received no later than the applicable Cure Objection Deadline: (i) the Debtors c/o CEC Entertainment, Inc., Attn: Rodolfo Rodríguez Jr., Esq. (rrodriguez@cecentertainment.com); (ii) attorneys for the Debtors, Weil, Gotshal & Manges LLP, Attn: Matthew S. Barr, Esq., Alfredo R. Pérez, Esq., and Scott R. Bowling, Esq. (matt.barr@weil.com, alfredo.perez@weil.com, and scott.bowling@weil.com); (iii) the Office of the United States Trustee for the Southern District of Texas, Attn: Hector Duran and Stephen Statham (hector.duran@usdoj.gov, stephen.statham@usdoj.com); and (iv) attorneys for the Official Committee of Unsecured Creditors, Kelley Drye & Warren LLP, 101 Park Avenue, New York, New

York 10178 (Attn: Jason Adams, Esq. (jadams@kelleydrye.com), and Lauren Schlüssel, Esq. (lschlüssel@kelleydrye.com), and Womble Bond Dickinson (US) LLP, 811 Main Street, Suite 3130, Houston, Texas 77002 (Attn: Matthew Ward, Esq. (matthew.ward@wbd-us.com), and Todd Atkinson, Esq. (todd.atkinson@wbd-us.com)), and (v) counsel to the Consenting Creditors, Akin Gump Strauss Hauer & Feld LLP, (Attn: Jason P. Rubin, Esq. (jrubin@akingump.com), Daniel Fisher (dfisher@akingump.com), and Phillip Dublin (pdublin@akingump.com)).

- d. If no objections are received with respect to an executory contract or unexpired lease, then the Cure Cost set forth in the Cure Notice for such agreement will be binding upon the Counterparty to such agreement for all purposes and will constitute a final determination of the Cure Cost required to be paid by the applicable Debtor in connection with the assumption and assignment of such agreement. In addition, all Counterparties to the executory contracts or unexpired leases that fail to file an objection before the Cure Objection Deadline will be (i) forever barred from objecting to the Cure Costs or adequate assurance of future performance with respect to such agreements, and the Debtors and any applicable Successful Bidder(s) (if any) will be entitled to rely solely upon the Cure Cost set forth in the Cure Notice; (ii) deemed to have consented to the assumption by the Debtors; and (iii) forever barred and estopped from asserting or claiming against the applicable Debtor(s) that any additional amounts are due or other defaults exist, that conditions to assumption must be satisfied or that there is any other objection or defense to the assumption of the applicable agreements. For the avoidance of doubt, these Cure Notice Procedures will not prohibit Counterparties from later objecting to assumption or assumption and assignment of an executory contract or unexpired lease based on an asserted lack of adequate assurance of future performance under such agreement.
- e. Prior to confirmation of a Plan, the Debtors will determine whether to assume, reject, or assume and assign their executory contracts and unexpired leases taking into account, among other things, the Cure Notice and any Cure Objections that may be filed. These Cure Notice Procedures do not require or govern assumption, rejection, or assumption and assignment other than with respect to the matters addressed herein.

21. The Debtors request that any party failing to file a Cure Objection be deemed to consent to the treatment of its executory contract and/or unexpired lease under section 365 of the Bankruptcy Code.

22. The Debtors believe that the Cure Notice Procedures are fair, reasonable, and necessary for them effectuate a successful Restructuring and maximize value in the Sale Process, and that notice of the Cure Notice Procedures by way of notice of this Motion is sufficient for all purposes. Therefore, the Debtors respectfully request that the Court enter the Bidding Procedures Order approving the Cure Notice Procedures.

Relief Requested Should Be Granted

A. Bidding Procedures

23. For the reasons set forth below, the Debtors believe the Bid Procedures are reasonable and appropriate and should be approved as proposed. Section 1123(a)(5)(D) of the Bankruptcy Code permits the sale of all or some of a debtor's assets pursuant to a plan. Moreover, under section 105(a) of the Bankruptcy Code, “[t]he court may issue any order . . . that is necessary or appropriate to carry out the provisions of this title.” In essence, the Court may enter an order that safeguards the value of the debtor’s estate if doing so is consistent with the Bankruptcy Code. *See, e.g., Chinichian v. Campolongo (In re Chinichian)*, 784 F.2d 1440, 1443 (9th Cir. 1986) (“Section 105 sets out the power of the bankruptcy court to fashion orders as necessary pursuant to the purposes of the Bankruptcy Code.”); *In re Cooper Props. Liquidating Trust, Inc.*, 61 B.R. 531, 537 (Bankr. W.D. Tenn. 1986) (acknowledging that “the [b]ankruptcy [c]ourt is one of equity and as such it has a duty to protect whatever equities a debtor may have in property for the benefit of its creditors as long as that protection is implemented in a manner consistent with the bankruptcy laws.”).

24. To that end, courts recognize that procedures intended to enhance competitive bidding are consistent with the goal of maximizing the value received by the estate, and, therefore, are appropriate in the context of bankruptcy sales. *In re Edwards*, 228 B.R. 552, 561 (Bankr. E.D. Pa. 1998) (“The purpose of procedural bidding orders is to facilitate an open and fair public sale designed to maximize value for the estate.”); *see also Official Comm. of Subordinated Bondholders v. Integrated Res., Inc. (In re Integrated Res., Inc.)*, 147 B.R. 650, 659 (S.D.N.Y. 1992) (bidding procedures and their constructs may serve to “encourage bidding and [] maximize the value of the debtor’s assets”).

25. The Debtors believe that the Bidding Procedures are appropriately tailored to ensure that the bidding process is fair and reasonable and will maximize value for their estates and stakeholders. The Bidding Procedures are designed to maximize the value received for the Reorganized Equity or Assets, in whole or part, by facilitating a competitive bidding process in which all Potential Bidders are encouraged to participate and submit competing Third-Party Bids. Moreover, by requiring that Third-Party Bids exceed the Reserve Price to constitute Qualified Bids, the Bidding Procedures ensure that the Sale Process will yield at least a minimally acceptable value for the Debtors’ estates and their stakeholders.

26. The Bidding Procedures also provide interested third-party buyers with sufficient notice and an opportunity to acquire information necessary to submit a timely and informed bid. This is in part because interested Potential Bidders already have access to the Data Room and the Bidding Procedures provide for a streamlined process for any other interested third-party buyers to gain access. At the same time, the Bidding Procedures provide the Debtors with the opportunity to consider all competing offers and to select, in their reasonable business judgment, and after consultation with the Consultation Committee, the highest or otherwise best

offer(s) for the Reorganized Equity or the Assets, in whole or in part, as applicable. In particular, by permitting bids for either the Reorganized Equity or, alternatively or in combination therewith, the Assets, in whole or in part, the Debtors' proposed Sale Process seeks to provide the best opportunity for Third-Party Bids to exceed the Reserve Price. Finally, by providing the Debtors with the right to terminate the Sale Process in accordance with their fiduciary duties, the Bidding Procedures ensure that the Debtors can swiftly seek to confirm an alternative chapter 11 plan if the Sale Process will not yield value in excess of the Reserve Price.

B. Cure Notice Procedures

27. The Debtors also respectfully request that the Court approve the Cure Notice Procedures set forth in the Bidding Procedures Order. Section 365(a) of the Bankruptcy Code provides, in pertinent part, that a debtor-in-possession "subject to the court's approval, may assume or reject any executory contract or [unexpired] lease of the debtor." Moreover, pursuant to section 365(b)(1) of the Bankruptcy Code, for a debtor to assume an executory contract, it must "cure, or provide adequate assurance that the debtor will promptly cure," any default, including compensation for any "actual pecuniary loss" relating to such default.

28. As stated above, the Debtors and any potential third-party buyer must be aware of asserted Cure Costs and assertions that the Debtors cannot provide adequate assurance of future performance in order for the Sale Process to reasonably maximize value. Counterparties, by receiving notice of this Motion, will have four weeks' notice of the Cure Objection Deadline and over three weeks' notice of known Cure Costs. By contrast, in a plan confirmation context, such parties would ordinarily have only a fraction of that time to review a cure notice and object to cure amounts or adequate assurance. Moreover, the Cure Objection Deadline falls after the claims bar date in these chapter 11 cases, and in the event of assignment and assumption of an executory contract or unexpired lease to a third-party under a Plan, the applicable Counterparty

retains the right to object such assumption and assignment based on an alleged failure to provide adequate assurance. Accordingly, Counterparties will have sufficient notice of the Cure Objection Deadline and Cure Costs and ample opportunity to file Cure Objections. The Cure Notice Procedures should be approved.

Waiver of Bankruptcy Rule 6004(a) and 6004(h)

29. To implement the foregoing successfully, the Debtors request that, to the extent that Bankruptcy Rule 6004 may be applicable to the relief requested by this Motion, the Court enter an order providing that notice of the relief requested herein satisfies Bankruptcy Rule 6004(a) and that the Debtors have established cause to exclude such relief from the 14-day stay period under Bankruptcy Rule 6004(h).

Emergency Relief Is Appropriate

30. As stated above, emergency relief is appropriate in the context of this Motion so that the Debtors may comply with the milestones under the Plan Support Agreement and the DIP Facility. Moreover, because the Cure Notice Procedures are designed to provide ample notice of Cure Costs and the Cure Objection Deadline, Counterparties are not prejudiced by emergency relief.

Notice

31. Notice of this Motion will be provided to any party that has requested notice pursuant to Bankruptcy Rule 2002 and any other party entitled to notice pursuant to Local Rule 9013-1(d).

No Previous Request

32. No previous request for the relief sought in herein has been made by the Debtors to this or any other court.

Dated: September 11, 2020
Houston, Texas

Respectfully submitted,

/s/ Alfredo R. Pérez

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Attorneys for Debtors

and Debtors in Possession

Certificate of Service

I hereby certify that on September 11, 2020, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Alfredo R. Pérez
Alfredo R. Pérez

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

In re:	§	Chapter 11
	§	
CEC ENTERTAINMENT, INC., et al.,	§	Case No. 20-33163 (MI)
	§	
Debtors.¹	§	(Jointly Administered)
	§	

**ORDER (I) APPROVING BIDDING
PROCEDURES ESTABLISHING A SALE PROCESS
FOR THE DEBTORS' REORGANIZED EQUITY OR ASSETS, (II) SCHEDULING
AUCTION, (III) APPROVING CURE NOTICE PROCEDURES FOR EXECUTORY
CONTRACTS AND UNEXPIRED LEASES, AND (IV) GRANTING RELATED RELIEF**

Upon the motion (the “**Motion**”)² of the above-captioned debtors and debtors and possession (collectively, the “**Debtors**”) for entry of an order (this “**Order**”) (i) approving bidding procedures establishing a sale process for the Debtors’ reorganized equity or assets attached hereto as **Exhibit 1**, (ii) scheduling an auction, as necessary, (iii) approving cure notice procedures for executory contracts and unexpired leases, and (iv) granting related relief; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. § 1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and this Court may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409;

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are BHC Acquisition Corporation (0947); CEC Entertainment Concepts, L.P. (3011); CEC Entertainment Holdings, LLC (9147); CEC Entertainment, Inc. (5805); CEC Entertainment International, LLC (8177); CEC Entertainment Leasing Company (4517); CEC Leaseholder, LLC (N/A); CEC Leaseholder #2, LLC (N/A); Hospitality Distribution Incorporated (5502); Peter Piper Holdings, Inc. (6453); Peter Piper, Inc. (3407); Peter Piper Texas, LLC (6904); Peter Piper Mexico, LLC (1883); Queso Holdings, Inc. (1569); SB Hospitality Corporation (4736); SPT Distribution Company (8656); and Texas PP Beverage, Inc. (6895). The Debtors’ corporate headquarters and service address is 1707 Market Place Boulevard #200, Irving, TX 75063.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion or the Bidding Procedures, as applicable.

and this Court having found that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and this Court having found that the Debtors' notice of the Motion and opportunity for a hearing on the Motion were appropriate and no other notice need be provided; and this Court having found that the predicates for relief granted herein are sections 105, 365 and 1123 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 9007, 9013, and 9014, and Local Rule 9013-1; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "**Hearing**"); and upon the record of the Hearing and upon all of the proceedings had before this Court; and all objections, if any, to the Motion having been withdrawn, resolved, or overruled; and this Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor,

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Debtors have articulated good and sufficient reasons for authorizing and approving the Bidding Procedures, which are fair, reasonable, and appropriate under the circumstances and designed to maximize the recovery on, and realizable value of, the Debtors' Reorganized Equity, or, alternatively or in combination therewith, the Assets, as determined by the Debtors in an exercise of their business judgment. To the extent any of the preceding conclusions of law constitute findings of fact, they are adopted as such.

2. The Bidding Procedures attached hereto as **Exhibit 1** are approved in their entirety. The Debtors are authorized to take any and all actions reasonably necessary or appropriate to implement the Bidding Procedures in accordance therewith.

3. As further described in the Bidding Procedures, the Debtors will conduct the Sale Process in accordance with the following timeline:

Key Event or Deadline		Date and Time
1.	Indication of Interest Deadline	September 15, 2020, at 5:00 p.m. (prevailing Eastern Time) , subject to certain exceptions.
2.	Hearing to consider approval of Bidding Procedures and entry of Bidding Procedures Order	September 29, 2020
3.	Deadline for Consenting Creditors to deliver Reserve Price to Debtors	October 14, 2020
4.	Deadline for Debtors to notify Potential Bidders of Reserve Price	October 15, 2020
5.	Binding Bid Deadline	October 21, 2020 at 5:00 p.m. (prevailing Eastern Time)
6.	Deadline for Debtors to notify applicable Third-Party Bidders of (i) status as Qualified Bidder and (ii) of selection of Baseline Bid	October 23, 2020 at 5:00 p.m. (prevailing Eastern Time)
7.	Auction (if any) to be held (i) at the offices of Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 or (ii) virtually pursuant to procedures to be announced to Qualified Bidders	October 28, 2020, at 10:00 a.m. (prevailing Eastern Time)
8.	Deadline to file notice of and identities of (i) Successful Bid(s) and Successful Bidder(s) and (ii) Back-Up Bid(s) and Back-Up Bidders	Promptly upon the conclusion of the Auction, but in any event no later than two (2) business days afterwards

4. The dates and deadlines set forth in this Order are subject to modification by the Debtors in accordance with the Bidding Procedures.

5. Any Credit Bid submitted by the Administrative Agent, or a new entity formed by the Administrative Agent, on behalf of the First Lien Lenders and at the direction of the Consenting

Creditors is deemed a Qualified Bid, and the Administrative Agent, or a new entity formed by the Administrative Agent, is deemed a Qualified Bidder.

6. The Administrative Agent, or a new entity created by the Administrative Agent, is authorized, on behalf of the First Lien Lenders and at the direction of the Consenting Creditors, to Credit Bid pursuant to § 363(k) of the Bankruptcy Code.

7. The following cure notice procedures (the “**Cure Notice Procedures**”) are reasonable under the circumstances of the Sale Process and these chapter 11 cases, and are designed to provide appropriate and sufficient notice to affected parties, and shall apply in these chapter 11 cases:

1. By no later than **September 23, 2020**, the Debtors will file a notice (the “**Cure Notice**”) identifying (a) each executory contract and unexpired lease (and the relevant Counterparty (as defined below) thereto) having a known non-zero Cure Cost and (b) the amount the Debtors believe is necessary to cure all monetary defaults under such agreement pursuant to section 365 of the Bankruptcy Code (the “**Cure Costs**”).
2. Upon the filing of the Cure Notice, the Debtors will serve the Cure Notice on each of the non-Debtor counterparties (each, a “**Counterparty**”) listed on the Cure Notice by first-class mail. The Cure Notice will state that the Debtors are evaluating whether to seek (but are not required to seek) the assumption of executory contracts and unexpired leases in connection with the Plan, which may involve one or more Sale Transaction(s), and include (i) identification of each executory contract and unexpired lease of the Debtors having a non-zero Cure Cost and (ii) the deadline for objecting (a “**Cure Objection**”) to the amount of the proposed Cure Costs related to each listed executory contract or unexpired lease, which deadline will be **October 12, 2020 at 5:00 p.m. (prevailing Eastern Time)** (such deadline, the “**Cure Objection Deadline**”).
3. Each Cure Objection must be filed with the Bankruptcy Court and served on the following parties so as to be received no later than the applicable Cure Objection Deadline: (i) the Debtors c/o CEC Entertainment, Inc., Attn: Rodolfo Rodríguez Jr., Esq. (rrodriguez@cecentertainment.com); (ii) attorneys for the Debtors, Weil, Gotshal & Manges LLP, Attn: Matthew S. Barr, Esq., Alfredo

R. Pérez, Esq., and Scott R. Bowling, Esq. (matt.barr@weil.com, alfredo.perez@weil.com, and scott.bowling@weil.com); (iii) the Office of the United States Trustee for the Southern District of Texas, Attn: Hector Duran and Stephen Statham (hector.duran@usdoj.gov, stephen.statham@usdoj.com); (iv) attorneys for the Official Committee of Unsecured Creditors, Kelley Drye & Warren LLP, 101 Park Avenue, New York, New York 10178 (Attn: Jason Adams, Esq. (jadams@kelleydrye.com), and Lauren Schlussel, Esq. (lschlussel@kelleydrye.com), and Womble Bond Dickinson (US) LLP, 811 Main Street, Suite 3130, Houston, Texas 77002 (Attn: Matthew Ward, Esq. (matthew.ward@wbd-us.com), and Todd Atkinson, Esq. (todd.atkinson@wbd-us.com)); and (v) counsel to the Consenting Creditors, Akin Gump Strauss Hauer & Feld LLP, (Attn: Jason P. Rubin, Esq. (jrubin@akingump.com), Daniel Fisher (dfisher@akingump.com), and Phillip Dublin (pdublin@akingump.com).

4. If no objections are received with respect to an executory contract or unexpired lease, then the Cure Cost set forth in the Cure Notice for such agreement will be binding upon the Counterparty to such agreement for all purposes and will constitute a final determination of the Cure Cost required to be paid by the applicable Debtor in connection with the assumption and assignment of such agreement. In addition, all Counterparties to the executory contracts or unexpired leases that fail to file an objection before the Cure Objection Deadline will be (i) forever barred from objecting to the Cure Costs or adequate assurance of future performance with respect to such agreements, and the Debtors and any applicable Successful Bidder(s) (if any) will be entitled to rely solely upon the Cure Cost set forth in the Cure Notice; (ii) deemed to have consented to the assumption by the Debtors; and (iii) forever barred and estopped from asserting or claiming against the applicable Debtor(s) that any additional amounts are due or other defaults exist, that conditions to assumption must be satisfied or that there is any other objection or defense to the assumption of the applicable agreements. For the avoidance of doubt, these Cure Notice Procedures will not prohibit Counterparties from later objecting to assumption or assumption and assignment of an executory contract or unexpired lease based on an asserted lack of adequate assurance of future performance under such agreement.
5. Prior to confirmation of a Plan, the Debtors will determine whether to assume, reject, or assume and assign their executory contracts and unexpired leases taking into account, among other things, the Cure Notice and any Cure Objections that may be filed. These Cure

Notice Procedures do not require or govern assumption, rejection, or assumption and assignment other than with respect to the matters addressed herein.

8. The Cure Notice Procedures are severable in their entirety from the Sale Process established by the Bidding Procedures and shall survive the termination (if any) of the Sale Process.

9. The failure to include or reference a particular provision of the Bidding Procedures specifically in this Order shall not diminish or impair the effectiveness or enforceability of such a provision.

10. In the event of any inconsistencies between this Order and the Motion, this Order shall govern in all respects. In the event of any inconsistencies between this Order and the Bidding Procedures, the Bidding Procedures shall govern in all respects.

11. Notice of the Motion as provided therein shall be deemed good and sufficient notice of such Motion and the requirements of Bankruptcy Rule 6004(a) and the Local Rules are satisfied by such notice.

12. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry.

13. The Debtors shall serve this Order in accordance with all applicable rules and shall file a certificate of service evidencing compliance with this requirement.

14. The Debtors are authorized to take all reasonable actions necessary to effectuate the relief granted in this Order in accordance with the Motion.

15. This Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Dated: _____, 2020
Houston, Texas

UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Bidding Procedures

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

In re:	§	Chapter 11
	§	
CEC ENTERTAINMENT, INC., et al.,	§	Case No. 20-33163 (MI)
	§	
Debtors.¹	§	(Jointly Administered)
	§	

BIDDING PROCEDURES

Overview

On June 24, 2020, CEC Entertainment, Inc. and its debtor affiliates in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**Debtors**” or the “**Company**”), filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Southern District of Texas (the “**Bankruptcy Court**” or the “**Court**”). The Debtors’ chapter 11 cases have been consolidated for procedural purposes under the lead case, *In re CEC Entertainment, Inc., et al.*, Case No 20-33163 (the “**Chapter 11 Cases**”). The Debtors are authorized to continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.²

The Debtors intend to conduct a sale process consistent with terms described herein (the “**Sale Process**”) to sell (i) the equity interests of the Reorganized Debtors (i.e., a new money equity investment under a chapter 11 plan) (as defined below; such interests, the “**Reorganized Equity**” and such transaction, an “**Equity Sale**”) or, alternatively or in combination therewith, (ii) up to all or substantially all of the Debtors’ assets (the “**Assets**”; any such transaction, an “**Asset Sale**” and each of an Equity Sale and an Asset Sale, a “**Sale Transaction**”). In each case and as described in greater detail below, the Debtors may seek to consummate one or more Sale

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, as applicable, are BHC Acquisition Corporation (0947); CEC Entertainment Concepts, L.P. (3011); CEC Entertainment Holdings, LLC (9147); CEC Entertainment, Inc. (5805); CEC Entertainment International, LLC (8177); CEC Entertainment Leasing Company (4517); CEC Leaseholder, LLC (N/A); CEC Leaseholder #2, LLC (N/A); Hospitality Distribution Incorporated (5502); Peter Piper Holdings, Inc. (6453); Peter Piper, Inc. (3407); Peter Piper Texas, LLC (6904); Peter Piper Mexico, LLC (1883); Queso Holdings, Inc. (1569); SB Hospitality Corporation (4736); SPT Distribution Company (8656); and Texas PP Beverage, Inc. (6895). The Debtors’ corporate headquarters and service address is 1707 Market Place Boulevard #200, Irving, TX 75063.

² Capitalized terms used but not defined herein have the meanings assigned to such terms in the Restructuring Term Sheet, attached as Exhibit A to that certain Plan Support Agreement, dated as of September 4, 2020 and attached as Exhibit A to the Debtors’ *Motion of Debtors for an Order (I) Authorizing the Debtors to (A) Obtain Postpetition Financing, (B) Grant Senior Secured Liens and Superpriority Administrative Expense Claims, and (C) Utilize Cash Collateral; (II) Granting Adequate Protection to the Prepetition Secured Parties; and (III) Granting Related Relief* (ECF No. 800).

Transactions pursuant to a chapter 11 plan (the “**Sale Plan**”) and either (i) an investment agreement (an “**Investment Agreement**”) or (ii) an asset purchase agreement (an “**Asset Purchase Agreement**”) and, together with an Investment Agreement, each an “**Acquisition Agreement**”), as applicable. Accordingly, any Sale Transaction will be subject to the approval of the Bankruptcy Court, which approval shall be sought in connection with the confirmation of the Plan (as defined below) at a sale and confirmation hearing (the “**Sale and Confirmation Hearing**”). The Debtors will not close any Sale Transaction if the Sale Plan is not confirmed by the Bankruptcy Court.

To effectuate a financial restructuring (the “**Restructuring**”), the Debtors have negotiated at arm’s length (i) a Plan Support Agreement, dated as of September 4, 2020 (the “**PSA**”) and (ii) a restructuring term sheet attached as Exhibit A to the PSA (the “**Restructuring Term Sheet**”) with the Consenting Creditors (as defined in the PSA) comprising certain unaffiliated holders of First Lien Debt Claims and Senior Unsecured Note Claims. The Debtors’ joint chapter 11 plan of reorganization (the “**Plan**”), whether (i) a Sale Plan or (ii) a plan premised on either (a) a debt-for-equity exchange (an “**Exchange Plan**”) or (b) a Credit Bid (as defined below) pursuant to an Acquisition Agreement (a “**Credit Bid Plan**”), will be consistent in all material respects with the Restructuring Term Sheet.

In furtherance of the Sale Process, on August 17, 2020, the Debtors’ investment bank, PJT Partners LP (“**PJT Partners**”), began a process of marketing outreach to a nonexclusive number of parties identified as potential bidders for the Assets and/or the Reorganized Equity. On September 11, 2020, the Debtors filed the *Emergency Motion of Debtors for Order (I) Approving Bidding Procedures Establishing a Sale Process for the Debtors’ Reorganized Equity or Assets, (II) Scheduling Auction, (III) Approving Cure Notice Procedures for Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief* (Docket No. [●]) (the “**Bidding Procedures Motion**”). On September [●], 2020, the Bankruptcy Court entered an order (Docket No. [●]) (the “**Bidding Procedures Order**”), which, among other things, approved these procedures (the “**Bidding Procedures**”) for the timing and consideration of the highest or otherwise best binding offer or combination of offers to acquire the Reorganized Equity or, alternatively or in combination therewith, the Assets, in whole or in part, on the terms and conditions set forth herein. These Bidding Procedures describe, among other things: (i) the procedures for Third-Party Bidders to submit Third-Party Bids for the acquisition of the Reorganized Equity or, alternatively or in combination therewith, the Assets, in whole or in part; (ii) the timing of and procedures for the transmission of the Reserve Price to all known potential bidders; (iii) the manner in which Third-Party Bidders and Third-Party Bids become Qualified Bidders and Qualified Bids; (iv) the process for negotiating the bids received; (v) the conduct of the Auction if Qualified Bids are received; (vi) the First Lien Lenders’ right to submit a credit bid; (vii) the procedure for the selection of any Third-Party Successful Bidder; (viii) the process for which the Debtors will seek the Bankruptcy Court’s approval of a Sale Transaction through the Sale Plan if there is a Third-Party Successful Bidder; and (ix) the manner in which the Sale Process may be terminated.

Copies of the Bidding Procedures Order, the Restructuring Term Sheet, or any other documents in the Debtors' chapter 11 cases are available upon request to Prime Clerk, LLC, by calling (877) 930-4313 (Domestic) or (347) 899-4582 (International), or by visiting <https://cases.primeclerk.com/cecentertainment>

Summary of Important Dates

These Bidding Procedures provide interested parties the opportunity to submit competing bids for all or any portion of the Reorganized Equity and/or Assets, and to participate in an Auction, if necessary, to be conducted by the Debtors. The key dates for the Sale Process are set forth below. Such dates may be extended or otherwise modified by the Debtors, in consultation with the Consultation Parties (as defined below) and with the prior written consent of the Requisite Consenting Creditors (as defined in the PSA), by filing notice of such extension or modification on the Court's docket; *provided, however*, that any such extension or modification shall not by itself extend any milestone or deadline in the Court's *Interim Order (I) Authorizing the Debtors to Use Cash Collateral, (II) Granting Adequate Protection to the Prepetition Secured Parties, (III) Modifying the Automatic Stay, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief ("Interim Cash Collateral Order")* (Docket No. 114) or the DIP Credit Agreement (Docket No. 800, Ex. A to Proposed DIP Order), as applicable:

Key Event or Deadline		Date and Time
1.	Indication of Interest Deadline	September 15, 2020, at 5:00 p.m. (prevailing Eastern Time) , subject to certain exceptions.
2.	Hearing to consider approval of Bidding Procedures and entry of Bidding Procedures Order	September 29, 2020
3.	Deadline for Consenting Creditors to deliver Reserve Price to Debtors	October 14, 2020
4.	Deadline for Debtors to notify Potential Bidders of Reserve Price	October 15, 2020
5.	Binding Bid Deadline	October 21, 2020 at 5:00 p.m. (prevailing Eastern Time)
6.	Deadline for Debtors to notify applicable Third-Party Bidders of (i) status as Qualified Bidder and (ii) of selection of Baseline Bid	October 23, 2020 at 5:00 p.m. (prevailing Eastern Time)

Key Event or Deadline		Date and Time
7.	Auction (if any) to be held (i) at the offices of Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 or (ii) virtually pursuant to procedures to be announced to Qualified Bidders	October 28, 2020, at 10:00 a.m. (prevailing Eastern Time)
8.	Deadline to file notice of and identities of (i) Successful Bid(s) and Successful Bidder(s) and (ii) Back-Up Bid(s) and Back-Up Bidders	Promptly upon the conclusion of the Auction, but in any event no later than two (2) business days afterwards

Property to Be Sold

The Debtors seek to sell the Reorganized Equity of the each of the Debtors as reorganized on the Effective Date in accordance with the Plan (the “**Reorganized Debtors**”) or, alternatively or in combination therewith, up to all or substantially all of the Assets.

Due Diligence

The Debtors have posted copies of all material documents related to the Assets and the equity interests of the Debtors to the Debtors’ confidential electronic data room (the “**Data Room**”). To access the Data Room, an interested third party must submit to the Debtors or their advisors the following:

- (1) an executed confidentiality agreement (a “**Confidentiality Agreement**”) in form and substance that is customary and satisfactory to the Debtors;
- (2) sufficient information, as reasonably determined by the Debtors, to allow the Debtors to determine that the interested party (i) has the financial wherewithal to consummate the applicable Sale Transaction and (ii) intends to access the Data Room for a purpose consistent with these Bidding Procedures; and
- (3) the contact information, including electronic mail address, mailing address, and phone number, of a person (each such person, the “**Potential Bidder Contact Person**”) the interested third party wishes to serve as the primary point of contact for the Debtors and their advisors for, among other things, receiving communications regarding the Sale Process.

Each interested third party that meets the above requirements to the satisfaction of the Debtors shall be a “**Potential Bidder**.” As soon as practicable, the Debtors will provide each Potential Bidder access to the Data Room (to the extent such Potential Bidder does not already have such access); *provided*, that such access and the availability of additional due diligence may be terminated by the Debtors in their reasonable discretion at any time for any reason whatsoever,

including if (i) a Potential Bidder does not become a Qualified Bidder, (ii) the Sale Process is terminated, (iii) the Potential Bidder breaches any obligations under its Confidentiality Agreement or (iv) the Debtors become aware that information submitted by the Potential Bidder in connection with requesting access to the Data Room is inaccurate or misleading. The Debtors may restrict or limit the access of a Potential Bidder to the Data Room if the Debtors determine, based on their reasonable business judgment, that certain information in the Data Room is sensitive, proprietary, or otherwise not appropriate for disclosure to such Potential Bidder.

Each Potential Bidder shall comply with all reasonable requests for information and due diligence by the Debtors or their advisors, including regarding the ability of such Potential Bidder to consummate the applicable Sale Transaction.

Until the Binding Bid Deadline, and except as otherwise provided herein, the Debtors will provide Potential Bidders with reasonable access to the Data Room and any additional information requested by Potential Bidders (subject to any restrictions pursuant to applicable law or these Bidding Procedures) that the Debtors believe to be reasonable and appropriate under the circumstances. All additional due diligence requests shall be directed to one of the following members of the Debtors' investment banking team at PJT Partners (the "**PJT Partners' Designated Contact Persons**"):

PJT Partners' Designated Contact Persons	
Bryan Slotkin Partner +1 646 391 5381 slotkin@pjtpartners.com	Calvin Arnold Director +1 203 848 9132 arnold@pjtpartners.com
Jamie O'Connell Partner +1 917 929 1118 oconnell@pjtpartners.com	Jon Walters Vice President +1 203 912 7597 walters@pjtpartners.com
Ashim Midha Associate +1 732 770 0762 midha@pjtpartners.com	Taylor Friend Associate +1 949 331 4708 taylor.friend@pjtpartners.com

Neither the Debtors nor any of their representatives shall be obligated under these Bidding Procedures or otherwise to furnish any information of any kind whatsoever relating to the Debtors, the Reorganized Equity, or the Assets: (i) to any person or entity who (a) is not a Potential Bidder, (b) does not comply with the participation requirements set forth above, or (c) in the case of competitively sensitive information, is a competitor of the Debtors; or (ii) to the extent not permitted by law or contract.

Indication of Interest Deadline

Each Potential Bidder must, on or before **September 15, 2020, at 5:00 p.m. (prevailing Eastern Time)** (the “**Indication of Interest Deadline**”), deliver a preliminary non-binding indication of interest (each, a “**Non-Binding Indication of Interest**”) to each of (i) counsel to the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attn: Matthew S. Barr, Alfredo R. Pérez, and Scott R. Bowling (matt.barr@weil.com; alfredo.perez@weil.com; scott.bowling@weil.com), and (ii) investment banker to the Debtors, PJT Partners LP, 280 Park Avenue, New York, New York 10017, Attn: Bryan Slotkin, Jamie O’Connell, Calvin Arnold, Jon Walters, and Ashim Midha (slotkin@pjtpartners.com; oconnell@pjtpartners.com; arnold@pjtpartners.com; walters@pjtpartners.com; midha@pjtpartners.com), which Non-Binding Indication of Interest should include the following information (the “**Indication of Interest Documents**”):

- (1) **Scope of Transaction:** A detailed description of the acquisition structure contemplated by the Non-Binding Indication of Interest, including whether the Potential Bidder proposes to acquire the Reorganized Equity or, alternatively or in combination therewith, up to all or substantially all of the Assets. If the Potential Bidder proposes to acquire only specific Assets, a list identifying all of the Assets to be acquired and an explicit definition of Assets to be excluded as part of a Sale Transaction;
- (2) **Proposed Purchase Price:** The cash consideration in U.S. dollars that the Potential Bidder would be prepared to pay in a Sale Transaction, including the implied enterprise value on a debt-free and cash-free basis and with a normalized level of working capital (the “**Proposed Purchase Price**”). The Proposed Purchase Price should be in the form of cash payable in full upon closing of a Sale Transaction and reflect the Potential Bidder’s consideration of the confidential information accessed through the Data Room or otherwise provided by the Company or its advisors. The Company strongly prefers that the Potential Bidder bid a single value; *however*, if the Potential Bidder elects to bid a range of values, the Company will assume the low end of such range unless the Potential Bidder provide clear guidance on the assumptions necessary to justify the high end of such range;
- (3) **Material Assumptions:** A description of all material assumptions upon which the Potential Bidder relied in determining the Proposed Purchase Price, including a description of the valuation methodology, any issues identified that could have a material impact on such value, and an overview of the valuation approach;
- (4) **Strategic Rationale and Prospective Plans:** The rationale for the Potential Bidder’s interest in a Sale Transaction, and a description of the Potential Bidder’s plans to manage the Company (or the acquired Assets, as applicable) as a part of its organization, such as the anticipated strategy to integrate the Company into its business, employee retention plans for the existing management team, employee retention plans for other employees,

and plans to approach compensation and retention in connection with the Sale Transaction;

- (5) **Additional Due Diligence:** An overview of the key areas of diligence that the Potential Bidder will want to undertake to be able to submit a Third-Party Bid (as defined below), together with a list of items the Potential Bidder believes are not reflected in previously provided materials. An indication of the time the Potential Bidder expects that its team (including any advisors) will need in order to complete its diligence and submit a Third-Party Bid;
- (6) **Structure:** Identification of the proposed purchasing entity, including the jurisdiction of organization of the entity, and confirmation that the Potential Bidder is interested in a Sale Transaction for its own account and not as agent, broker, intermediary, or representative for any other person or party. To the extent the purchasing entity or an affiliate is currently or has previously been a franchisee of the Company, or otherwise has an existing relationship with the Company, a description of such relationship in detail. Furthermore, if the purchasing entity is currently or has previously been a franchisee within the restaurant space, or has an existing relationship with a nationally recognized restaurant franchisor, a description of such relationship in detail;
- (7) **Financing Sources:** A description of the internal and external sources of debt and/or equity financing to support the Potential Bidder's Non-Binding Indication of Interest, including confirmation of the status of any associated external commitments, an indication of the timing and committed nature of those sources, dollar amounts of each of those sources, and any conditions to such financing, and confirmation that the Potential Bidder's Third-Party Bid will not contain financing contingencies;
- (8) **Approvals, Consents, and Closing Conditions:**
 - (a) Internal Approvals: (i) a description of the level of review and approval that the Non-Binding Indication of Interest has already received within the Potential Bidder's organization to date (e.g. investment committee, board of directors), and (ii) a list of any additional internal approvals, authorizations, or waivers that are required or that are anticipated to be required for the Potential Bidder to enter into and/or consummate a Sale Transaction, and the estimated timing to obtain such approval, authorizations, or waivers;
 - (b) External Approvals: A list of any governmental, regulatory or other external approvals, consents or waivers that the Potential Bidder expects may be required to enter into or consummate a Sale Transaction, the steps the Potential Bidder will take and the steps that would be expected of the Company to obtain such approvals,

consents, or waivers, and the estimated timing to obtain such approvals, consents, or waivers;

- (c) Conditions and Contingencies: A description of any material conditions or contingencies to which consummation of a Sale Transaction would be subject, a description of the level of difficulty to meet such contingencies or conditions, and the expected time necessary to satisfy them;
- (9) **Additional Terms**: A description of any other material terms that the Potential Bidder will require in connection with a Sale Transaction;
- (10) **Timeframe**: A description of the estimated timeframe to complete the Transaction outlined in the Potential Bidder's Non-Binding Indication of Interest;
- (11) **Bid Letter Disclosure**: Confirmation that the Potential Bidder permits PJT Partners to share the Potential Bidder's Non-Binding Indication of Interest with advisors to certain of the Company's creditors, including the Consenting Creditors, that are under non-disclosure agreements with the Company;
- (12) **Contacts and Advisors**: A list of contacts with whom PJT Partners can discuss the Potential Bidder's Non-Binding Indication of Interest as well as a list of any commercial, financial, or legal advisors the Potential Bidder has engaged to assist it in evaluating a Sale Transaction. Such list should contain the names, titles, telephone numbers, and electronic mail addresses of any individuals included thereon; and
- (13) **Other**: Any other information the Potential Bidder considers may be relevant in connection with its Non-Binding Indication of Interest.

Any Potential Bidder that (i) was not contacted by the Debtors' advisors regarding the Sale Process prior to the filing of the Bidding Procedures Motion and (ii) requires more time to submit a Non-Binding Indication of Interest must notify one (1) of the PJT Partners' Designated Contact Persons by no later than **September 22, 2020 at 5:00 p.m. (prevailing Eastern Time)** of such matters, deliver a Non-Binding Indication of Interest no later than **September 29, 2020 at 5:00 p.m. (prevailing Eastern Time)**, and otherwise comply with these Bidding Procedures (including all other deadlines set forth herein).

Submitting a Non-Binding Indication of Interest does not obligate the Potential Bidder to consummate a Sale Transaction, submit a binding Third-Party Bid, or otherwise further participating in the Sale Process. It also does not exempt such Potential Bidder from having to

submit a Qualified Bid by the Binding Bid Deadline (as defined below) or to otherwise comply with these Bidding Procedures to participate in any subsequent Auction, all as described below.

Reserve Price

By no later than **October 14, 2020**, the date that is five (5) business days prior to the Binding Bid Deadline (as defined below), the Requisite Consenting Creditors will provide to the Debtors a minimum Cash distribution reasonably expected to be received by holders of First Lien Debt Claims in connection with any successful Third-Party Bid (which amount may be up to the full amount of the First Lien Debt Claims) (the “**Reserve Price**”). By the earlier of **October 15, 2020** and the date that is one (1) business day after the Debtors’ receipt of the Reserve Price, the Debtors shall notify the Potential Bidders of the Reserve Price by way of a written communication to each applicable Potential Bidder Contact Person. The Reserve Price shall be subject to the applicable Confidentiality Agreement executed by the applicable Potential Bidder.

Bid Deadline

A Potential Bidder that desires to make a bid (a “**Third-Party Bid**”) for the Reorganized Equity or some or all of the Assets shall deliver written and electronic copies of its Third-Party Bid, so as to be received no later than **October 21, 2020, at 5:00 p.m. (prevailing Eastern Time)** (the “**Binding Bid Deadline**”); *provided*, that the Debtors may, in consultation with the Consultation Parties, extend the Binding Bid Deadline for any reason whatsoever, in their reasonable business judgment, for all or certain Potential Bidders, without further order of the Bankruptcy Court, but with the prior written consent of the Requisite Consenting Creditors. The extension of the Binding Bid Deadline hereunder shall not, by itself, result in an extension of any milestone or deadline under the PSA, the Cash Collateral Order, or the DIP Credit Agreement, as applicable. **The submission of a Third-Party Bid by the Bid Deadline (as it may be extended in accordance with the foregoing) shall constitute a binding and irrevocable offer to acquire the Reorganized Equity or Assets, as applicable, specified in such Third-Party Bid. Any party that does not submit a Third-Party Bid by the Binding Bid Deadline will not be allowed to (i) submit any offer after the Binding Bid Deadline or (ii) participate in any Auction for the applicable Reorganized Equity or Assets.**

There may not be any communications between and amongst Potential Bidders regarding the Debtors unless the Debtors have previously authorized such communication in writing. The Debtors reserve the right, in their reasonable business judgment and in consultation with the Consultation Parties, to disqualify any Potential Bidder that has communications with any other Potential Bidder or violates its Confidentiality Agreement with the Debtors or these Bidding Procedures.

Third-Party Bids must be submitted by electronic mail to the following Debtors’ representatives (the “**Bid Notice Parties**”):

PJT Partners, LP

Bryan Slotkin, Jamie O’Connell, Calvin Arnold, Jon Walters, and Ashim Midha
(slotkin@pjtpartners.com; oconnell@pjtpartners.com; arnold@pjtpartners.com;
walters@pjtpartners.com; midha@pjtpartners.com)

Form and Content of Qualified Bids

A Third-Party Bid must be received by the Bid Notice Parties by the Binding Bid Deadline and contain a signed Acquisition Agreement from a Potential Bidder that identifies the purchaser by its legal name and any other party that will be participating in the Sale Transaction contemplated by the Third-Party Bid. To constitute a “**Qualified Bid**” a Third-Party Bid or the Credit Bid (as defined below), if any (each, a “**Bid**”) must include, at a minimum, the following:³

- (1) Proposed Acquisition Agreement. Each Bid must include, in both PDF and MSWORD format, an executed Acquisition Agreement (the “**Proposed Acquisition Agreement**”) for the acquisition of all, some, or any one of the Reorganized Equity or Assets, which complies in all material respects with the Restructuring Term Sheet. Each Bid must also include a redline (in both PDF and MSWORD format) marked against the form agreement which the Debtors will post to the Data Room.
- (2) Purchase Price; Reorganized Equity and Acquired Assets; Excluded Assets; Form of Consideration; Credit Bid. Each Bid must clearly set forth the following in writing in the Proposed Acquisition Agreement, as applicable:
 - (a) Purchase Price; Initial Overbid. The price in U.S. dollars (the “**Purchase Price**”) proposed to be paid for the Reorganized Equity or the specified Assets. In addition, (i) a Third-Party Bid **must** exceed the Reserve Price, unless (x) the Third-Party Bid is for some portion of the Assets that is less than the whole, (y) there is one or more Third-Party Bid(s) for a different portion of the Assets that is less than the whole, and (z) the Debtors, in the exercise of their business judgement and in consultation with the Consultation Parties, reasonably believe that the Third-Party Bids, collectively, would exceed the Reserve Price, and (ii) an initial overbid (the “**Initial Overbid**”), consisting of at least \$10,000,000.
 - (b) Reorganized Equity and Acquired Assets. The Reorganized Equity or the Assets, in whole or in part, as applicable, that the Potential Bidder seeks to acquire.

³ The Debtors may waive in consultation with the Consultation Parties, any of the following requirements for a Third-Party Bid to constitute a Qualified Bid to the extent reasonably necessary to promote bids and a robust Auction so long as any such waiver is not materially inconsistent with these Bidding Procedures.

- (c) Excluded Assets. The Assets, if any, that the Potential Bidder does not seek to acquire.
 - (d) Form of Consideration. Each Bid must (i) indicate whether it is an all cash offer (including confirmation that the cash component of the Bid is based in U.S. Dollars) or consists of certain non-cash components, such as a Credit Bid (as defined below), and (ii) provide sufficient cash consideration in excess of the Reserve Price.
 - (e) First Lien Lenders' Right to Credit Bid. Notwithstanding anything herein to the contrary, the First Lien Lenders shall have the right to credit bid, which for the avoidance of doubt may also include cash and/or other forms of consideration (such right, a "**Credit Bid Right**" and each of such bid, a "**Credit Bid**") up to the full amount of the First Lien Debt Claims to acquire the Reorganized Equity or Assets, in whole or in part, of the Debtors through a new Delaware limited liability company organized by their Administrative Agent at the direction of the Consenting Creditors pursuant to § 363(k) of the Bankruptcy Code.
- (3) Unconditional Offer/No Financial Contingencies. A commitment that the Bid is formal, binding, and unconditional (except for those conditions expressly set forth in the applicable Proposed Acquisition Agreement), is not subject to any further due diligence or to any financing contingency, and shall be irrevocable until the Debtors notify such Potential Bidder by written communication to the Potential Bidder Contact Person that such Bid has not been designated as a Successful Bid or a Back-Up Bid.
- (4) Proof of Financial Ability to Perform. Each Bid must contain such financial and other information that allows the Debtors, in consultation with the Consultation Parties, to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate the applicable Sale Transaction, including, without limitation, such financial and other information setting forth adequate assurance of future performance in satisfaction of the requirements under section 365(f)(2)(B) of the Bankruptcy Code (if applicable), and the Potential Bidder's ability to perform under any executory contracts and unexpired leases (each a "**Contract**") that are to be assumed and assigned to such party (if applicable), including, if necessary, an adequate assurance letter which the Debtors are authorized to share with applicable non-Debtor Contract counterparties (each a "**Counterparty**") if such Bid is determined to be the Successful Bid. Without limiting the foregoing, such information must include current financial statements or similar financial information certified to be true and correct as of the date thereof, proof of financing commitments (if needed) to close the applicable Sale Transaction (not subject to any unreasonable conditions, in the Debtors' sole discretion (in

consultation with the Consultation Parties)), contact information for verification of such information, including any financing sources, and any other information reasonably requested by the Debtors that is necessary to demonstrate that the Potential Bidder has the ability to close the applicable Sale Transaction in a timely manner.

To the extent that a Bid is not accompanied by evidence of the Potential Bidder's capacity to consummate the Sale Transaction set forth in its Bid with cash on hand (or other immediately available cash), each Bid must include committed financing documents that demonstrate to the Debtors' satisfaction, in consultation with the Consultation Parties, that the Potential Bidder has received sufficient debt and/or equity financing commitments to satisfy the Potential Bidder's Purchase Price and other obligations under its Bid, and that such financing commitments are sufficiently unconditional.

- (5) Designation of Contracts and Leases. Each Bid must identify with particularity each and every Contract, the assumption (or assumption and assignment) of which is contemplated by the applicable Sale Transaction (collectively, "**Proposed Assumed Contracts**") without deduction to the Purchase Price. The Debtors shall provide notice to the applicable Counterparties of such removal and/or addition of such Counterparty's Contract in the Plan Supplement (subject to the Debtors' rights to amend the Plan Supplement after its initial filing).
- (6) The Required Approvals. A statement or evidence reflecting (i) that the Potential Bidder has made or will make as soon as reasonably practicable, and in no event later than five (5) business days from the execution of the Proposed Acquisition Agreement, all necessary filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or other antitrust laws, as applicable, and pay the filing fees associated with such filings; (ii) the Potential Bidder's plan and ability to obtain all requisite governmental, regulatory, or other third-party approvals and the proposed timing for the Potential Bidder to undertake the actions required to obtain, and to obtain, such approvals; and (iii) that the Bid is reasonably likely (based on antitrust or other regulatory issues, experience, and other considerations) to be consummated, if selected as the Successful Bid, within a time frame acceptable to the Debtors (in consultation with the Consultation Parties). A Potential Bidder further agrees that its attorneys will discuss with and explain to the Debtors' attorneys such Potential Bidder's regulatory analysis, strategy, and timeline for obtaining all such approvals as soon as reasonably practicable.
- (7) Disclosure of Identity and Corporate Authorization. Each Bid must (i) fully disclose, by their legal names, the identity of the Potential Bidder and each entity that will be participating in its Bid (including any equity owners or sponsors, if the Potential Bidder is an entity formed for the purpose of consummating the Sale Transaction), and the complete terms of any such

participation, and (ii) include evidence of corporate (or comparable organizational) authorization and approval from the Potential Bidder's board of directors (or comparable governing body), if necessary, with respect to the submission, execution, and delivery of a Bid, participation in the Auction, and closing of the transactions contemplated by the Potential Bidder's Proposed Acquisition Agreement in accordance with the terms of the Bid and these Bidding Procedures.

- (8) Employee Obligations. Each Bid must specify (i) whether the Qualified Bidder intends to hire some or all of the employees employed by the Debtors and (ii) indicate the treatment of the compensation, incentive, retention, bonus or other compensatory arrangements, plans, or agreements, including offer letters, employment agreements, consulting agreements, severance arrangements, retention bonus agreements, change in control arrangements, and any other employment related agreements of the Debtors (the "**Employee Obligations**").
- (9) No Entitlement to Break-Up Fee, Expense Reimbursement, or Other Amounts. Each Bid must expressly state that the Bid does not entitle the Potential Bidder to any break-up fee, termination fee, expense reimbursement, or similar type of payment or reimbursement, and a waiver of any substantial contribution administrative expense claims under section 503(b) of the Bankruptcy Code related to the bidding process.
- (10) Disclosure of Connections. Each Bid must fully disclose any connections or agreements with the Debtors, any other known Potential Bidder, the Consenting Creditors, and/or any officer or director of the Debtors.
- (11) Joint Bids. The Debtors will be authorized to approve joint Bids in their reasonable discretion, and in consultation with the Consultation Parties, on a case-by-case basis.
- (12) Representations and Warranties. Each Bid must include the following representations and warranties:
 - (a) a statement that the Potential Bidder has had an opportunity to conduct any and all due diligence regarding the Reorganized Equity or applicable Assets prior to submitting its Bid;
 - (b) a statement that the Potential Bidder has relied solely upon its own independent review, investigation, and/or inspection of any relevant documents, as well as the Reorganized Equity or Assets to be purchased (as applicable), in making its Bid and has not relied on any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express or implied, by operation of law or otherwise, regarding such Reorganized Equity and Assets or the completeness of any information provided

in connection therewith, except as expressly stated in the representations and warranties contained in the Potential Bidder's Proposed Acquisition Agreement ultimately accepted and executed by the Debtors;

- (c) a statement that the Potential Bidder has not engaged in any collusion with respect to submission of its Bid;
 - (d) a statement that all proof of financial ability to consummate the applicable Sale Transaction in a timely manner and all information provided to support adequate assurance of future performance is true and correct; and
 - (e) a statement that the Potential Bidder agrees to be bound by the terms of these Bidding Procedures.
- (13) Additional Requirements. A Potential Bidder must also accompany its Bid with:
- (a) a good faith cash deposit in the amount of no less than ten percent (10%) of the Purchase Price (a "**Deposit**"), which shall be deposited prior to the Bid Deadline with an escrow agent selected by the Debtors (the "**Escrow Agent**") pursuant to an escrow agreement to be entered into between a Debtor and the Escrow Agent; *provided, however,* that the Administrative Agent, acting on behalf of the First Lien Lenders and at the direction of the Consenting Creditors, will not be required to accompany its Credit Bid, if any, with a Deposit; provided, further, that to the extent a Qualified Bidder increases the Purchase Price before, during, or after the Auction, the Debtors reserve the right to require that such Qualified Bidder promptly adjust its Deposit so that it equals ten percent (10%) of the increased Purchase Price;
 - (b) the contact information of the Potential Bidder Contact Person and any other specific person(s) whom the Debtors or their advisors should contact in the event that the Debtors have any questions or wish to discuss the Bid submitted by the Potential Bidder;
 - (c) a covenant to cooperate with the Debtors to provide pertinent factual information regarding the Potential Bidder's operations reasonably required to analyze issues arising with respect to any applicable antitrust laws and other applicable regulatory requirements;
 - (d) a detailed analysis of the value of any non-cash component of the Bid, if any, and back-up documentation to support such value; and

- (e) a statement as to whether the Bid is consistent with the terms of the Restructuring Term Sheet and, if not consistent, a detailed explanation of any inconsistency and the reason therefor.

Notwithstanding anything herein to the contrary and for the avoidance of doubt, the Credit Bid, if any, shall be deemed a Qualified Bid.

Review of Bids; Designation and Notice of Qualified Bids

The Debtors will evaluate all Bids that are timely submitted and may engage in negotiations with Potential Bidders that submit Bids as the Debtors deem appropriate, in the exercise of their business judgment, based upon the Debtors' evaluation of each Bid. Subject to the above and for the avoidance of doubt, a Bid will **not** be a Qualified Bid if it does not exceed the Reserve Price.

The Debtors shall determine, in their reasonable judgment, in consultation with the Consultation Parties, which of the Bids received by the Bid Deadline qualify as a "**Qualified Bid**" (each Potential Bidder that submits such a Qualified Bid, a "**Qualified Bidder**") and shall notify each Qualified Bidder of its status as a Qualified Bidder by **October 23, 2020, at 5:00 p.m. (prevailing Eastern Time)** (the "**Qualified Bid Deadline**"). The Administrative Agent, or a new entity formed by the Administrative Agent, acting on behalf of the First Lien Lenders and at the direction of the Consenting Creditors, is a Qualified Bidder and the Credit Bid, if any (including as may be modified in favor of the Debtors at the Auction (if any)) shall be considered a Qualified Bid.

Without the written consent of the Debtors, in consultation with the Consultation Parties, a Qualified Bidder may not modify, amend, or withdraw its Qualified Bid, except for proposed amendments to increase the Purchase Price or otherwise improve the terms of its Qualified Bid during the period that such Qualified Bid remains binding as specified herein; *provided*, that any Qualified Bid may be improved at the Auction as set forth in these Bidding Procedures. The Debtors reserve the right to work with any Potential Bidder in advance of the Auction to cure any deficiencies in a Bid that is not initially deemed a Qualified Bid and to clarify or otherwise improve such Bid such that it may be designated a Qualified Bid.

In evaluating the Bids, the Debtors may take into consideration, among other things, the following non-exhaustive factors:

- (1) the amount and form of consideration of the Purchase Price;
- (2) the Reorganized Equity or Assets, in whole or in part, as applicable, included in or excluded from the Bid;
- (3) the value to be provided to the Debtors under the Bid, including the net economic effect upon the Debtors' estates;
- (4) the transaction structure and execution risk, including conditions to, timing of, and certainty of closing, termination provisions, financial

wherewithal to meet all commitments, and required governmental or other approvals;

- (5) the impact on employees and the proposed treatment of the Employee Obligations;
- (6) the impact on trade creditors;
- (7) the impact on the Debtors' ability to confirm a chapter 11 plan consistent in all respects with the Restructuring Term Sheet;
- (8) the tax implications of the Sale Transaction contemplated by the Bid; and
- (9) any other factors the Debtors may reasonably deem relevant.

On or before the Qualified Bid Deadline, the Debtors shall notify Qualified Bidders (including the Consenting Creditors) and the advisors to the Consenting Creditors of (i) the Bids that the Debtors have determined to be Qualified Bids and (ii) the Bid(s) that the Debtors have determined to be the highest or otherwise best Qualified Bid(s) to serve as the baseline bid(s) at the Auction (the "**Baseline Bid**"). For the avoidance of doubt, the Baseline Bid shall exceed an amount equal to the value of the Reserve Price plus the Initial Overbid.

Failure to Receive Qualified Bids

If the Debtors do not receive any Qualified Bids (other than the Credit Bid, if any) for any of the Reorganized Equity or Assets, in whole or in part, by the Binding Bid Deadline, the Debtors will not conduct the Auction and shall file a notice with the Bankruptcy Court by **October 23, 2020 at 5:00 p.m. (prevailing Eastern Time)** indicating that no Auction will be held. The Debtors shall also publish such notice on the website of their claims and noticing agent, Prime Clerk LLC (<https://cases.primeclerk.com/cecentertainment>, the "**Claims Agent Website**").

Auction Procedures

If the Debtors receive one or more Qualified Bids from Third-Party Bidders for the Reorganized Equity or the Assets, in whole or in part, in excess of the Reserve Price and consistent with the Restructuring Term Sheet in all material respects by the Binding Bid Deadline, the Debtors will conduct the Auction on **October 26, 2020, beginning at 10:00 a.m. (prevailing Eastern Time)** at (i) the offices of Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 or (ii) virtually pursuant to procedures to be announced to bidders. Only Qualified Bidders, including the Administrative Agent, acting on behalf of the First Lien Lenders and at the direction of the Consenting Creditors, in the event of the Credit Bid, will be eligible to participate in the Auction, subject to such limitations as the Debtors may impose in good faith. In addition, professionals and/or other representatives of the Debtors, Consenting Creditors, and Creditors' Committee shall be permitted to attend and observe the Auction.

The Debtors may, in the exercise of their reasonable business judgment, adopt rules for the Auction consistent with these Bidding Procedures and the Bidding Procedures Order that the Debtors reasonably determine in consultation with the Consultation Parties, to be appropriate

and to promote a competitive Auction. Any rules developed by the Debtors will provide that all Bids in the Auction will be made and received on an open basis, and all Qualified Bidders participating in the Auction will be entitled to be present for all bidding with the understanding that the true identity of each Qualified Bidder placing a Qualified Bid at the Auction will be fully disclosed to all other bidders participating in the Auction and that all material terms of a Qualified Bid submitted in response to any successive Bids made at the Auction will be disclosed to all other Qualified Bidders. Each Qualified Bidder will be permitted an amount of time that the Debtors reasonably determine to be an appropriate amount of time to respond to the previous bid at the Auction. The Auction will be conducted openly and shall be transcribed or recorded.

At the Auction, Qualified Bidders (including the First Lien Lenders) will be permitted to increase their bids. For each Baseline Bid, bidding will start at the Purchase Price and terms proposed in the applicable Baseline Bid, and will proceed thereafter in minimum bid increments of not less than \$10,000,000 (a “**Minimum Overbid Amount**”). The Debtors reserve the right to increase or decrease the Minimum Overbid Amount at any time during the Auction. If the Administrative Agent, acting on behalf of the First Lien Lenders and at the direction of the Consenting Creditors, exercises its right to Credit Bid at the Auction for the Reorganized Equity or Assets, in whole or in part, as applicable, in an amount less than the First Lien Debt Claims, any subsequent Credit Bid must reflect an increase in an amount of credit bid thereunder that is no less than the Minimum Overbid Amount. Moreover, if at any point the Credit Bid reaches the full amount of the First Lien Debt Claims and the Administrative Agent, acting on behalf of the First Lien Lenders and at the direction of the Consenting Creditors, wishes to further increase its Bid, it must do so in increments no less than the Minimum Overbid Amount.

At the Auction, the Debtors, in their reasonable business judgment, will be permitted to request best and final offers from the Qualified Bidders (including the Administrative Agent, acting on behalf of the First Lien Lenders and at the direction of the Consenting Creditors, if it has exercised its Credit Bid Right). The Debtors may adopt additional rules for the Auction at any time that the Debtors reasonably determine to be appropriate to promote the goals of maximizing the value of the Reorganized Equity or the Assets, as applicable, and provided that such rules are not inconsistent with these Bidding Procedures.

Absent consent of the Debtors, pursuant to 18 U.S.C. §§ 156 and 157, Potential Bidders and their representatives may not communicate with one another, collude, or otherwise coordinate for purposes of participating in the Auction. Each Potential Bidder and the First Lien Lenders participating in an Auction will be required to confirm in writing and on the record at an Auction that (i) it has not engaged in any collusion with respect to the submission of any Bid or the Auction and (ii) its Bid represents a binding, good faith, and bona fide offer to purchase the Reorganized Equity or Assets, in whole or in part, as applicable, identified in such Bid if selected as the Successful Bidder.

All parties attending the Auction must keep the proceedings and results of the Auction confidential until the Debtors have closed the Auction; *provided*, that parties may speak with clients or parties necessary to place their Bid or increase it so long as such individuals are advised of the confidentiality restrictions provided hereunder and in the applicable confidentiality agreements.

The Debtors may, in the exercise of their reasonable business judgment, and in consultation with the Consultation Parties, identify as the “**Successful Bid(s)**” the highest or otherwise best Qualified Bid(s) for the Reorganized Equity or Assets, in whole or in part, as applicable, submitted by (the party or parties submitting such Successful Bid(s), the “**Successful Bidder(s)**”) (i) either one or more Third-Party Bidders (each, a “**Third-Party Successful Bid**” and the bidder(s) submitting such bid(s), each a “**Third-Party Successful Bidder**”) or (ii) the Administrative Agent, acting on behalf of the First Lien Lenders and at the direction of the Consenting Creditors (a “**Successful Credit Bid**” and, on account of having submitted such bid, the “**Successful Credit Bidder**”). The Debtors may also, in consultation with the Consultation Parties, identify which Qualified Bid(s) constitute the next highest or otherwise best bid(s) and deem such next highest or otherwise best bid(s) each a back-up bid (such bid(s) shall each be a “**Back-Up Bid**” and, the bidder submitting such bid, a “**Back-Up Bidder**”). Back-Up Bid(s) shall remain open and irrevocable until the earliest to occur of (i) the applicable outside date for consummation of the Sale Transaction set forth in the Back-Up Bid, which date shall be no less than ninety (90) days from entry of the Confirmation Order, (ii) consummation of the Sale Transaction with a Third-Party Successful Bidder, and (iii) the release of such Back-Up Bid by the Debtors in writing (such date, the “**Back-Up Bid Expiration Date**”). If a Sale Transaction with a Third-Party Successful Bidder is terminated prior to the Back-Up Bid Expiration Date, the Back-Up Bidder shall be deemed a Third-Party Successful Bidder and shall be obligated to consummate the Back-Up Bid as if it were a Third-Party Successful Bid. Notwithstanding the foregoing, any Credit Bid submitted by the Administrative Agent, acting on behalf of the First Lien Lenders and at the direction of the Consenting Creditors, shall not be required to serve as a Back-Up Bid absent the consent of the Administrative Agent and the Requisite Consenting Creditors.

No later than two (2) business days after the Auction, (i) the Third-Party Successful Bidder(s) shall submit to the Debtors fully executed documentation memorializing the terms of the Third-Party Successful Bid(s); (ii) the Back-Up Bidder(s) shall submit to the Debtors execution versions of the documentation memorializing the terms of the Back-Up Bid(s); and (iii) the Successful Bidder and the Back-Up Bidder shall increase their respective Deposits with the Debtors to account for any increase in the Purchase Price of each Bid that resulted from the Auction. No Third-Party Successful Bid, Successful Credit Bid, or a Back-Up Bid may be assigned to any party without the consent of the Debtors.

At any time before entry of an order confirming a Sale Plan approving any Sale Transaction, the Debtors reserve the right to and may reject the applicable Qualified Bid (other than the Credit Bid) if such Qualified Bid, in the Debtors’ reasonable business judgment, is: (i) inadequate or insufficient; (ii) not in conformity with the requirements of the Bankruptcy Code, these Bidding Procedures, or the terms and conditions of the applicable Sale Transaction; or (iii) contrary to the best interests of the Debtors and their estates.

Post-Auction Process

Within two (2) calendar days after the conclusion of the Auction, if one is held, or as soon as reasonably practicable thereafter, the Debtors shall file with the Bankruptcy Court and post on the Claims Agent Website a notice containing the results of the Auction (the “**Notice of Auction Results**”) that includes: (i) the identity of the Third-Party Successful Bidder(s) or, if applicable, the Successful Credit Bidder, and the Back-Up Bidder(s), if any; (ii) adequate

assurance of future performance information for the Third-Party Successful Bidder, (iii) a schedule of Proposed Assumed Contracts in the Third-Party Successful Bid(s), Successful Credit Bid, and Back-Up Bid(s), as applicable, if known; and (iv) the identity of any known proposed assignees of Proposed Assumed Contracts (if known and if different from the applicable Third-Party Successful Bidder(s), the Successful Credit Bidder, or Back-Up Bidders(s)).

Within seven (7) calendar days after the Auction, if one is held, the Debtors shall direct the Escrow Agent to return the Deposits of all bidders, together with interest accrued thereon, if any, other than the Deposits of the Successful Bidder(s) and Back-Up Bidder(s). Within five (5) calendar days after the Back-Up Bid Expiration Date, the Debtors shall direct the Escrow Agent to return the Deposit(s) of the Back-Up Bidder(s), together with interest accrued thereon (if any). Upon the authorized return of any such Deposits, the Bid associated therewith shall be deemed revoked and no longer enforceable.

Each Third-Party Successful Bidder's Deposit shall be applied against the cash portion of the Purchase Price of such bidder's Third-Party Successful Bid upon the consummation of a Sale Transaction pursuant to a Sale Plan. In addition to the foregoing, the Deposit of any Qualified Bidder will be forfeited to the Debtors if (i) the Qualified Bidder attempts to modify, amend, or withdraw its Qualified Bid, except as permitted herein or with the Debtors' written consent, during the time the Qualified Bid remains binding and irrevocable or (ii) except as provided herein, the Qualified Bidder is selected as a Successful Bidder or a Back-Up Bidder and refuses or fails to enter into the required definitive documentation or to consummate a Sale Transaction in accordance with these Bidding Procedures, which forfeiture will not limit any other rights and remedies of the Debtors.

Termination of Sale Process

The Debtors have the unconditional right at any time, and in accordance with their fiduciary duties, to terminate the Sale Process, including prior to the Binding Bid Deadline. In addition, in the event that no Third-Party Bids constitute a Qualified Bid following the completion of the marketing process (or such earlier time as may be determined by the Debtors), or if one or more Third-Party Bids (taken together) exceeds the Reserve Price but (i) the Credit Bid is the highest or otherwise best bid at the Auction (if any) or (ii) such Third-Party Bids, prior to the hearing on confirmation of the Plan, are withdrawn or modified such that the Reserve Price or Credit Bid, as applicable, is not reasonably likely to be exceeded on the effective date of the Plan, the Debtors have the unconditional right to terminate the Sale Process and instead seek to confirm a Credit Bid Plan or an Exchange Plan. If the Debtors terminate the Sale Process, the Debtors shall provide notice thereof (the "**Termination Notice**"): (i) to all known Potential Bidders by written communication to each respective Potential Bidder Contact Person; (ii) by filing a notice with the Bankruptcy Court; and (iii) by publishing a notice on the Claims Agent Website. Upon providing the Termination Notice in the manner set forth herein, these Bidding Procedures shall terminate in their entirety. For the avoidance of doubt, (i) the Debtors' termination of the Sale Process shall not affect the enforceability of each of the applicable confidentiality agreements entered into by and between the Debtors and each Potential Bidder, and those confidentiality agreements shall remain in full force and effect and shall only terminate in accordance with the terms set forth therein and (ii) no party will be entitled to reimbursement of any costs arising from or related to its participation in the Sale Process.

Cure Notice

The Debtors shall provide notice of the Cure Notice in accordance with the Cure Notice Procedures included in the Bidding Procedures Order.

Sale and Confirmation Hearing

As described herein, the Debtors may seek to consummate one or more Sale Transactions pursuant to a Sale Plan and one or more applicable Acquisition Agreements. Accordingly, any Sale Transaction will be subject to the approval of the Bankruptcy Court, which approval shall be sought in connection with the confirmation of a Sale Plan at the Sale and Confirmation Hearing. The Sale and Confirmation Hearing, if applicable, will be scheduled and properly noticed in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and the Local Bankruptcy Rules for the U.S. Bankruptcy Court for the Southern District of Texas (the “**Local Rules**”). Prior to the Sale and Confirmation Hearing, but in connection therewith, parties in interest will, among other things, have an opportunity to object to the Sale Plan, any Acquisition Agreement, and any Sale Transaction contemplated thereunder, in accordance with the Bankruptcy Code, the Bankruptcy Rules, and Local Rules.

Consent to Jurisdiction and Authority as Condition to Bidding

All Potential Bidders (including the Administrative Agent, acting on behalf of the First Lien Lenders) that participate in the Sale Process shall be deemed to have (i) consented to the core jurisdiction of the Bankruptcy Court with respect to these Bidding Procedures, the Sale Process, the Auction, any Sale Transaction, the Sale and Confirmation Hearing (if applicable), and the construction and enforcement of any agreement or any other document relating to a Sale Transaction; (ii) waived any right to a jury trial in connection with any disputes relating to any of the foregoing; and (iii) consented to the entry of a final order or judgment in any way related to any of the foregoing if it is determined that the Bankruptcy Court would lack Article III jurisdiction to enter such a final order or judgment absent the consent of the parties.

Consultation by the Debtors

The Debtors shall consult with the Consultation Parties as explicitly provided for in these Bidding Procedures. Each reference in these Bidding Procedures to “consultation” (or similar phrase) with the Consultation Parties shall mean consultation in good faith. The term “**Consultation Parties**” as used in these Bidding Procedures shall mean (i) the advisors to the official committee of unsecured creditors and (ii) to the extent that the First Lien Lenders have elected not to submit a Credit Bid, the Consenting Creditors (and their advisors). For the avoidance of doubt, during any period in which a Consultation Party or an affiliate thereof has submitted a Qualified Bid (including a Credit Bid) and has become a Qualified Bidder hereunder, such Consultation Party shall no longer be considered a Consultation Party for purposes of these Bidding Procedures unless and until such party unequivocally revokes its Bid and waives its right to continue in the Auction process.

Reservation of Rights

The Debtors, in their reasonable business judgment, in a manner consistent with their fiduciary duties and applicable law, reserve the right to: (i) modify these Bidding Procedures; (ii) waive the terms and conditions set forth herein with respect to all Potential Bidders; (iii) extend the deadlines set forth herein; and (iv) announce at the Auction any modified or additional procedures for conducting the Auction. Nothing in these Bidding Procedures shall obligate the Debtors to consummate or pursue any transaction with respect to the Reorganized Equity or Assets, in whole or in part, with a Qualified Bidder.

Fiduciary Duties

Nothing in these Bidding Procedures shall require the Debtors to take any action, or refrain from taking any action to the extent the Debtors determine that refraining from taking such action or taking such action, as applicable, would be inconsistent with applicable law or its fiduciary obligations under applicable law.