

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

	X	
In re:	:	Chapter 11
	:	
LONESTAR RESOURCES US INC., <i>et al.</i> , ¹	:	Case No. 20-34805 (DRJ)
	:	
Debtors.	:	(Joint Administration Requested)
	:	
	X	

**NOTICES, RESTRICTIONS, AND OTHER PROCEDURES
REGARDING WORTHLESSNESS DEDUCTIONS
WITH RESPECT TO STOCK OF THE DEBTORS**

TO ALL PERSONS WITH STOCK OWNERSHIP OF THE DEBTORS:

Pursuant to that certain *Interim Order Establishing Notification Procedures and Approving Restrictions on Certain Transfers of, or Worthlessness Deductions with Respect to, Stock of the Debtors* (the “**Interim Order**”) entered by the United States Bankruptcy Court for the Southern District of Texas (the “**Bankruptcy Court**”) on [●], 2020, Docket No. [●], the following restrictions, notification requirements, and/or other procedures apply to all worthlessness deductions with respect to stock of the Debtors (the “**Worthless Stock Deduction Procedures**”).

A. LONESTAR EQUITY INTEREST RESTRICTIONS

(1) **Definitions.** For purposes of the Worthless Stock Deduction Procedures set forth in this paragraph A, the following terms have the following meanings:

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are Lonestar Resources US Inc. (4035), Lonestar Resources Intermediate Inc. (2449), LNR America Inc. (3936), Lonestar Resources America Inc. (5863), Amadeus Petroleum Inc. (8763), Albany Services, L.L.C. (3185), T-N-T Engineering, Inc. (0348), Lonestar Resources, Inc. (8204), Lonestar Operating, LLC (5228), Poplar Energy, LLC (5718), Eagleford Gas, LLC (5513), Eagleford Gas 2, LLC (0638), Eagleford Gas 3, LLC (3663), Eagleford Gas 4, LLC (8776), Eagleford Gas 5, LLC (5240), Eagleford Gas 6, LLC (4966), Eagleford Gas 7, LLC (3078), Eagleford Gas 8, LLC (7542), Eagleford Gas 10, LLC (2838), Eagleford Gas 11, LLC (5951), Lonestar BR Disposal LLC (0644) and La Salle Eagle Ford Gathering Line LLC (8877). The Debtors’ address is 111 Boland Street, Suite 300, Fort Worth, TX 76107.

(a) **“50-percent Shareholder”** shall mean any person or entity that at any time during the three-year period ending on the Petition Date has had Beneficial Ownership of at least 50% or more of Lonestar Stock or Convertible Preferred Stock or is otherwise considered a 50-percent shareholder of Lonestar Resources US Inc. within the meaning of Section 382(g)(4)(D) of the Tax Code.

(b) **“Beneficial Ownership”** of Lonestar Equity Interests or Options to acquire Lonestar Equity Interests shall be determined in accordance with section 382 of the title 26 of the United States Code (the **“Tax Code”**), the regulations promulgated by the U.S. Department of Treasury under the Tax Code (the **“Treasury Regulations”**), and rulings issued by the Internal Revenue Service (the **“IRS”**), and as described herein, and, thus, to the extent provided in those sources, from time to time shall include, without limitation, (i) direct and indirect ownership (but determined without regard to any rule that treats stock of an entity as to which the constructive ownership rules apply as no longer owned by that entity), e.g., a holding company would be considered to Beneficially Own all stock owned or acquired by its subsidiaries, (ii) ownership by a holder’s family members, (iii) ownership by any entity (as such term is defined in Treasury Regulations section 1.382-3(a)), and (iv) to the extent set forth in Treasury Regulations section 1.382-4, the ownership of an Option to acquire Lonestar Equity Interests.

(c) **“Convertible Preferred Stock”** shall mean Series A-1 Preferred Convertible Participating Preferred Stock issued by Lonestar Resources US Inc. For the avoidance of doubt, consistent with the definition of “Beneficial Ownership,” an owner of an Option to acquire Convertible Preferred Stock shall be treated as the owner of such Convertible Preferred Stock to the extent set forth in Treasury Regulations section 1.382-4.

(d) “**Lonestar Equity Interests**” shall mean Lonestar Stock and Convertible Preferred Stock.

(e) “**Lonestar Stock**” shall mean common stock issued by Lonestar Resources US Inc. For the avoidance of doubt, by operation of the definition of “Beneficial Ownership,” an owner of an Option to acquire Lonestar Stock may be treated as the owner of such Lonestar Stock. For the avoidance of doubt, consistent with the definition of “Beneficial Ownership,” an owner of an Option to acquire Lonestar Stock shall be treated as the owner of such Lonestar Stock to the extent set forth in Treasury Regulations section 1.382-4.

(f) “**Option**” shall mean any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock, or similar interest regardless of whether it is contingent or otherwise not currently exercisable.

(2) **Notice of 50-percent Stock Ownership.** Any person or entity that currently is or becomes a 50-percent Shareholder, at any time on or after the Petition Date, shall file with the Bankruptcy Court, and serve upon: (i) Lonestar Resources US Inc., 111 Boland Street, Suite 301, Fort Worth, Texas 76107 (Attn: Jason N. Werth (email: jwerth@lonestarresources.com)); (ii) proposed co-counsel to the Debtors, Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022 (Attn: Annemarie V. Reilly, Esq. and Madeleine C. Parish, Esq. (emails: annemarie.reilly@lw.com, and madeleine.parish@lw.com)); (iii) proposed co-counsel to the Debtors, Hunton Andrews Kurth LLP, 600 Travis Street, Suite 4200 (Attn: Timothy A. Davison II, Esq. and Ashley L. Harper, Esq. (emails taddavidson@HuntonAK.com, and ashleyharper@HuntonAK.com)); (iv) counsel to the administrative agent under the Debtors’ prepetition RBL facility (the “**Prepetition RBL Agent**”), (a) Linklaters LLP, 1290 Avenue of the Americas, New York, NY 10104 Attn: Penelope Jensen, Esq. and Margot Schonholtz, Esq.

(emails: penelope.jensen@linklaters.com, and margot.schonholtz@linklaters.com) and (b) Bracewell LLP, 711 Louisiana Street, Suite 2300, Houston, TX 2770 (Attn: William A. Wood III) (email: trey.wood@bracewell.com)); (v) counsel to that certain ad hoc group of holders of prepetition notes (the “**Ad Hoc Noteholders Group**”), (a) Stroock & Stroock & Lavan LLP, 180 Maiden Lane, New York, New York 10038 (Attn: Erez E. Gilad, Esq. and Jason M. Pierce, Esq. (emails: egilad@stroock.com, and jpierce@stroock.com)) and (b) Cole Schotz, P.C., 301 Commerce Street, Suite 1700, Fort Worth, Texas 76102 (Attn: Michael D. Warner, Esq. (email: mwarner@coleschotz.com)); (vi) counsel to any statutory committee (each, an “**Official Committee**”) appointed in these cases, if any; and (vii) the United States Trustee for the Southern District of Texas (collectively, the “**Disclosure Parties**”), a notice of such person or entity’s 50-percent Stock Ownership (a “**50-percent Stock Ownership Notice**”), in substantially the form annexed to the Interim Order as Exhibit 6, which describes specifically and in detail such person or entity’s ownership of Lonestar Equity Interests, on or before the date that is five calendar days after the later of (x) [the date the order granting the requested relief is entered] or (y) the date such person or entity qualifies as a 50-percent Shareholder. At the election of the filing person or entity, the 50-percent Stock Ownership Notice to be filed with the Bankruptcy Court (but not the 50-percent Stock Ownership Notice that is served upon the Disclosure Parties) may be redacted to exclude the taxpayer identification number and the amount of Lonestar Equity Interests Beneficially Owned.

(3) **Worthless Stock Deduction**. At least twenty calendar days prior to filing any income tax return, or any amendment to such a return, taking any worthlessness deduction with respect to Lonestar Equity Interests for a tax year ending before the Debtors’ emergence from these Chapter 11 Cases, such 50-percent Shareholder must file with the Court, and serve upon the Disclosure Parties, an advance written notice of the intended worthlessness deduction, in substantially the form attached

hereto as Exhibit 7 (each a “**Notice of Intent to Take a Worthless Stock Deduction**”). At the election of the filing person or entity, the Notice of Intent to Take a Worthless Stock Deduction to be filed with this Court (but not the Notice of Intent to Take a Worthless Stock Deduction that is served upon the Disclosure Parties) may be redacted to exclude the taxpayer identification number and the amount of Lonestar Equity Interests Beneficially Owned.

(4) Objection Procedures. The Debtors, the Prepetition RBL Agent, the Ad Hoc Noteholders Group, and any Official Committee shall have seventeen calendar days after the receipt of a Notice of Intent to Take a Worthless Stock Deduction (the “**Objection Period**”) to file with this Court and serve on such 50-percent Stockholder, to any proposed worthlessness deduction described in such Notice of Intent to Take a Worthless Stock Deduction. If the Debtors, the Prepetition RBL Agent, the Ad Hoc Noteholders Group, or any Official Committee files an Objection by the expiration of the Objection Period (the “**Objection Deadline**”), then the filing of the income tax return with such deduction would not be permitted or effective unless approved by a final and non-appealable order of the Court or such objection is withdrawn. If none of the Debtors, the Prepetition RBL Agent, the Ad Hoc Noteholders Group, or any Official Committee file an Objection by the Objection Deadline, then such deduction shall be permitted as set forth in the Notice of Intent to Take a Worthless Stock Deduction. Any further income tax returns within the scope of this Paragraph (4) must be the subject of an additional Notice of Intent to Take a Worthless Stock Deduction and Objection Period.

B. NONCOMPLIANCE WITH THE PROCEDURES

In the event that a 50-percent Shareholder takes a worthlessness deduction with respect to Lonestar Equity Interests in violation of these Worthless Stock Deduction Procedures such worthlessness deduction shall be null and void *ab initio* as an act in violation of the automatic stay

under section 362 of the Bankruptcy Code and pursuant to the Bankruptcy Court's equitable powers under section 105(a) of the Bankruptcy Code. Furthermore, any such 50-percent Shareholder shall be subject to sanctions as provided under the Interim Order and by applicable law and shall be required to file an amended income tax return revoking such worthlessness deduction.

C. DEBTORS' RIGHT TO WAIVE

The Debtors, in consultation with the Prepetition RBL Agent, may waive, in writing, any and all restrictions, stays, notifications and provisions of the Worthless Stock Deduction Procedures contained in this Notice.