Case Overview- Party City Holdco Inc.

Court Confirms Liquidation Plan of Former North America Party Goods Retail Giant

August 27, 2025 – The Court hearing the Party City Holdco Inc. cases issued an order confirming the Debtors' revised Plan of Liquidation and approving the Disclosure Statement on a final basis [Docket No. 1827].

Coming into their August 27th Plan confirmation hearing, the Debtors had resolved all but one of their outstanding objections, that of the U.S. Trustee who had argued that the administrative/priority opt-out waterfall violated §1129(a)(9), that the Disclosure Statement was inadequate, and that the Plan's third-party releases were non-consensual.

In rejecting that argument Judge Pérez found that "we had very, very sophisticated creditors," and that those who did not opt out were "going to get a better recovery than they would in the Chapter 7. I think that makes perfect sense. I think it's logical," adding: "the fact that 72 or 75 people opted out, it indicates that it worked."

He further held the releases "are very, very limited. They're basically enforcing my orders. There's no release here for any pre-petition conduct… [and] the gatekeeping function here is only with respect to the exculpated parties… [which] is just the debtor and the committee," before concluding: "I'm gonna go ahead and confirm the plan and overrule the objections."

Case Summary

Party City Holdco Inc. ("PCHI") and six affiliates filed for Chapter 11 on December 21, 2024, in the Southern District of Texas, marking a swift return to bankruptcy just 14 months after emerging from a prior reorganization. The filing came after mounting macroeconomic pressures—most notably inflation, declining consumer demand, and tight capital markets—left the company without sufficient liquidity to fund operations or execute its turnaround plan. PCHI operated approximately 700 retail stores and a global wholesale distribution business but had pivoted toward liquidation after failed capital-raising efforts in late 2024.

At filing, the Debtors reported $400.0mn in total funded debt, comprised of a $149.2mn ABL Facility, a $13.3mn FILO facility (both maturing October 2028), and $267.5mn in 12% second-lien PIK toggle notes due 2029. Over 97% of equity was held by four noteholders forming the Ad Hoc Noteholder Group, which also held over 99% of the 2L Notes. Following

an ABL reserve imposition in December 2024 and subsequent default, PCHI executed a forbearance agreement requiring a Chapter 11 filing by December 22, 2024.

The Chapter 11 cases centered on orderly liquidation and monetization of assets via multiple court-approved sale processes. Key transactions included the March 2025 sale of Party City's intellectual property to Party City Purchaser LLC, and a designation rights deal involving real estate and lease interests with Hilco and Sycamore Partners affiliates. Gordon Brothers conducted going-out-of-business sales across the retail footprint.

The Debtors operated without DIP financing but used consensual cash collateral arrangements involving the ABL and 2L Noteholders. The Official Committee of Unsecured Creditors (the "Committee") was appointed in January 2025 and became a central negotiating party in the Plan process, which ultimately yielded a comprehensive settlement with the Ad Hoc Noteholder Group.

The resulting "Plan Settlement" formed the basis of the proposed Plan, filed June 30, 2025, and backed by both the Committee and the 2L Noteholders. The Plan hinges on creditor support for a waterfall-based distribution of liquidation proceeds, with administrative and priority creditors required to accept less-than-full payment to avoid a Chapter 7 conversion. Crucially, the Plan sets a $1.0mn cap on opt-outs by such creditors; exceeding this threshold would block Plan effectiveness and likely result in zero recovery for many stakeholders under a Chapter 7 scenario.

The Debtors also addressed liabilities from two WARN Act adversary proceedings, including a class action brought by Gwendolyn Hanlon seeking $6.0mn in damages. While the Debtors contest WARN liability, they incorporated an estimated $6.0mn in WARN-related claims into the Plan's priority claims analysis.

Disclosure Statement approval was granted on a conditional basis on June 30, 2025, setting an August 27, 2025 confirmation hearing. Key procedural dates were extended by three weeks to accommodate claims reconciliation and allow creditors to make informed voting decisions.

Plan Summary

Party City Holdco Inc. ("PCHI") and six affiliates filed for Chapter 11 on December 21, 2024, in the Southern District of Texas, marking a swift return to bankruptcy just 14 months after emerging from a prior reorganization. The filing came after mounting macroeconomic pressures—most notably inflation, declining consumer demand, and tight capital markets—left the company without sufficient liquidity to fund operations or execute its turnaround plan. PCHI operated **over 800** retail stores and a global wholesale distribution business but had pivoted toward liquidation after failed capital-raising efforts in late 2024.

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The Chapter 11 cases centered on orderly liquidation and monetization of assets via multiple court-approved sale processes. Key transactions included court-approved non-lease asset sales (including intellectual property) and a designation-rights deal involving real estate and lease interests with Hilco and Sycamore affiliates, alongside additional assignments including to Dollar Tree. Gordon Brothers conducted going-out-of-business sales across the retail footprint.

The Debtors operated without DIP financing but used consensual cash collateral arrangements involving the ABL and 2L Noteholders. The Official Committee of Unsecured Creditors (the "Committee") was appointed in January 2025 and became a central negotiating party in the Plan process, which ultimately yielded a comprehensive settlement with the Ad Hoc Noteholder Group.

The resulting "Plan Settlement" formed the basis of the proposed Plan, **filed June 26, 2025** and backed by both the Committee and the 2L Noteholders. The Plan hinges on creditor support for a waterfall-based distribution of liquidation proceeds, with administrative and priority creditors required to accept less-than-full payment to avoid a Chapter 7 conversion. Crucially, the Plan **originally** set a $1.0mn cap on opt-outs by such creditors; **that condition was later waived at confirmation**.

The Debtors also addressed liabilities from two WARN Act adversary proceedings, including a class action brought by Gwendolyn Hanlon. While the Debtors contest WARN liability, they incorporated an estimated $6.0mn in WARN-related claims into the Plan's priority claims analysis and, on August 22, 2025, reached a settlement under which each settling class member receives a $10.1k allowed priority claim (aggregate approximately $4.0mn), withdraws objections, and opts into the Administrative/Priority Waterfall Treatment.

Disclosure Statement approval was granted on a conditional basis on **June 27, 2025**, setting an August 27, 2025 confirmation hearing. Key procedural dates were extended by roughly three weeks to accommodate claims reconciliation and allow creditors to make informed voting decisions.

Plan Overview- From the Filings

The Debtors memorandum in support of Plan confirmation (the 'Memorandum') [Docket No. 1815] states, "The Debtors began the Chapter 11 Cases with the goal of effectuating an efficient and value-maximizing sale of the Debtors' assets and orderly wind down of its business. Consistent with that aim, the Debtors conducted numerous sales, wound down their operations, and now seek Confirmation of the Plan that, while a compromise, represents the best possible outcome in these administratively insolvent cases.

The benefits of the Plan over the alternatives (namely, conversion to chapter 7) are reflected in the support it has received from Classes 1 and 3 as well as Holders of Administrative Claims. Indeed, as shown in the Solicitation and Tabulation Declaration, the Plan received accepting votes from 100% of Holders of Class 1 Priority Claims and 100% of Holders of Class 2 Prepetition 2L Notes Claims. Additionally, the dollar value of asserted Administrative and Priority Claims whose Holders opted out of the Plan's Administrative/Priority Waterfall Treatment totals only $1,041,205.41 after accounting for the Debtors' current pending objections, with anticipated additional objections bringing the total to $935,712.08 after removing facially invalid claims. Although such amount of asserted Administrative and Priority Claims is currently technically above the $1 million threshold that is a condition precedent to the Plan's Effective Date, both the Ad Hoc Noteholder Group and the Creditors' Committee have agreed to preemptively waive the condition."

In respect of Plan confirmation objections memorandum continues, "The Debtors have worked with parties that have raised comments regarding the Plan, whether informally or by an objection, to reach an amicable resolution thereof. These efforts produced the withdrawal of the Hanlon Objection. None of the remaining objections raise grounds requiring denial of Confirmation of the Plan. The Tennessee Objection simply notes that the Tennessee Department of Revenue opts out of the Administrative/Priority Waterfall Treatment and Third-Party Releases, while the Personal Injury Objections demand the inclusion of certain language in the Confirmation Order without articulating any substantive basis as to how the Plan impairs their rights. The Travelers Objection challenges the Administrative/Priority Waterfall Treatment and raises a number of miscellaneous arguments that will be mooted through language included in the proposed Confirmation Order to the extent the objection is not entirely resolved prior to confirmation. The Landlords Objection challenges the Administrative/Priority Waterfall Treatment and related opt out procedures, but because the Objecting Landlords have opted out, their Allowed Claims will be paid in full, thus mooting the objection.

Finally, the U.S. Trustee argues that (1) the Third-Party Release is non-consensual and otherwise impermissible, (2) the Plan discriminates against non-professional fee

administrative claimants and the Administrative/Priority Waterfall Treatment is unconfirmable; (3) the Disclosure Statement contains inadequate information; and (4) waiver of the Rule 3020 stay is inappropriate. However, as explained below, these complaints have been mooted and/or are otherwise meritless and do not require denial of Confirmation."

The Disclosure Statement provides, "Notwithstanding the substantial progress made in these Chapter 11 Cases, the Debtors simply have insufficient funds to pay all creditors in full. However, through hard-fought negotiations, the Debtors achieved a consensus among their secured creditors surrounding the Plan Settlement Term Sheet. The fragile consensus around the Plan relies heavily on consent from Holders of Administrative and Priority Claims to less than full payment of their claims. It is a condition precedent to the effectiveness of the Plan that the amount of claims attributable to Holders of Administrative and Priority Claims that do not consent to the Administrative/Priority Waterfall Treatment cannot exceed $1 million. Failure to satisfy this condition precedent will, in all likelihood, result in the conversion of these Chapter 11 Cases to Chapter 7. Conversion to Chapter 7 will be detrimental to many stakeholders, including Holders of Administrative Claims, Class 1 Priority Claims, and Class 4 General Unsecured Claims, who are all projected to receive no recovery in a chapter 7 case."

The Plan Settlement

The Disclosure Statement continues: "The Plan is premised upon and incorporates the proposed settlement between the Debtors, the Ad Hoc Noteholder Group, and the Creditors' Committee (the 'Plan Settlement'), which is reflected in a Settlement Term Sheet. Among other things, the Plan Settlement provides for (i) the allowance of Class 2 Prepetition 2L Notes Claims in the amount of $267,703,631.42; (ii) support for the Plan; (iii) the Ad Hoc Noteholder Group's support of the Debtors' continued use of Cash Collateral; (iv) the establishment of a Wind-Down Budget; and (v) the establishment and funding of a Liquidation Trust, distributions from which will be shared pro rata by Holders of Prepetition 2L Notes Claims, Allowed Administrative and Priority Claims, and Allowed General Unsecured Claims in accordance with the Waterfall Recovery and GUC Waterfall Recovery set forth in the Plan.

… the Plan Settlement (and, in turn, the Plan) relies heavily on the consent of Holders of Administrative and Priority Claims to the Administrative/Priority Waterfall Treatment provided for in the Plan. It is a condition precedent to the effectiveness of the Plan that the amount of claims attributable to Holders of Administrative and Priority Claims that do not consent to the Administrative/Priority Waterfall Treatment cannot exceed $1 million. Failure to satisfy this condition precedent will, in all likelihood, result in the conversion of

these Chapter 11 Cases to Chapter 7. Should that occur, given the amount of Prepetition 2L Notes Claims relative to the value of the Debtors' estates, it unlikely that Holders of Claims in Classes 1, 2, 4, 5, 6, or 7 will see any recovery. With respect to Holders of Administrative and Priority Claims specifically, while the Administrative/Priority Waterfall Treatment may not afford payment in full of such Claims, the alternative is, in all likelihood, no payment at all. Similarly, given the payment priorities under Chapter 7, conversion would virtually eliminate all potential of distributions to Holders of Class 4 General Unsecured Claims. The Plan Settlement is the only avenue of avoiding the various value-destructive alternatives to confirmation while also affording more Holders an opportunity to receive meaningful distributions."

WARN Adversary Proceedings

In respect of the WARN proceedings, the revised documents explain that, on December 22, 2024, a class action complaint was filed against the Debtors by Gwendolyn Hanlon , on behalf of herself and an estimated 400 other similarly employees, alleging they were terminated on December 20, 2024 as part of, or as the foreseeable result of mass layoffs or plant shutdowns without being provided 60 days advance written notice of their terminations as required under the federal and New Jersey WARN Acts. On December 31, 2024, a second-class action adversary complaint against the Debtors was filed by Plaintiff Craig Smith and others alleging the same violations and other state law violations.

On February 3, 2025, the Debtors sought dismissal of Plaintiff Hanlon's claims under the New Jersey WARN Act, but that motion was denied. On February 19th, Plaintiff Hanlon moved for class certification. On April 21, 2025, the Court appointed Hanlon's counsel, Raisner Roupinian LLP, as Interim Class Counsel while the motion for class certification is pending.

Also on February 19, 2025, Plaintiff Hanlon moved for partial summary judgment against the Debtors' affirmative defenses to the federal WARN Act violations. The Court's decision on the motion is pending.

Interim Class Counsel estimates the Debtors' maximum liability with respect to the federal and **New Jersey WARN claims is $6,000,000**, exclusive of attorneys' fees and expenses. The Debtors dispute the alleged estimate of Interim Class Counsel and further assert that there is no liability based on its defenses and exceptions under the WARN Act. Interim Class Counsel asserts that payment in full of any Allowed Priority or Administrative WARN Act Claim is due on the effective date, unless the holders of the Allowed Priority WARN Act claim agree to accept less favorable treatment.

The following is a summary of classes, claims, voting rights and expected recoveries (defined terms, not otherwise defined below are as defined in the Plan and Disclosure Statement, also see the Liquidation Analysis below):

- Class 1 ("Priority Claims") is impaired and entitled to vote on the Plan. All known Holders of Priority Claims will receive an Administrative/Priority Claim Consent Form pursuant to which the Debtors seek such Holder's agreement to the Administrative/Priority Waterfall Treatment. A Holder that does not (i) timely object by the Confirmation objection deadline or (ii) timely return the Consent Form opting out of the Administrative/Priority Waterfall Treatment will be deemed to have consented to receive the Administrative/Priority Waterfall Treatment (i.e., less than full cash payment on the Effective Date) and to grant the Plan's third-party releases. Each consenting Holder will receive Liquidating Trust Interests entitling it to its Pro Rata share of Distributable Proceeds under the Waterfall Recovery.

If a Holder timely opts out or otherwise timely objects to the Administrative/Priority Waterfall Treatment, that Holder's Priority Claim will receive the treatment required by section 1129(a)(9) of the Bankruptcy Code (unless otherwise agreed by such Holder and the Debtors, with the consent of the Ad Hoc Noteholder Group). Plan consummation was originally conditioned on the aggregate amount of asserted Administrative Claims and Priority Claims (Allowed and Disputed) held by Holders who timely opted out or timely objected being less than $1.0mn; this condition was waived at confirmation by the Debtors, the Ad Hoc Noteholder Group, and the Committee.

- Class 2 ("Other Secured Claims") is unimpaired, deemed to accept and not entitled to vote on the Plan.
- Class 3 ("Prepetition 2L Notes Claims") is impaired and entitled to vote on the Plan. Each Holder will receive Liquidating Trust Interests entitling such Holder to (i) its Pro Rata share of the Distributable Proceeds pursuant to the Waterfall Recovery and (ii) its Pro Rata share of the GUC Distributable Proceeds pursuant to the GUC Waterfall Recovery.
- Class 4 ("General Unsecured Claims") is impaired and entitled to vote on the Plan. Each Holder will receive Liquidating Trust Interests entitling such Holder to its Pro Rata share of the GUC Distributable Proceeds pursuant to the GUC Waterfall Recovery.
- Class 5 ("Intercompany Claims") is impaired, deemed to reject and not entitled to vote on the Plan.
- Class 6 ("Intercompany Interests") is impaired, deemed to reject and not entitled to vote on the Plan.

- Class 7 ("Interests in PCHI") is impaired, deemed to reject and not entitled to vote on the Plan.

Definitions

- "GUC Distributable Proceeds" means all Cash of the Debtors received on account of GUC Assets available on or after the Effective Date.
- "GUC Waterfall Recovery" means (a) All remaining GUC Distributable Proceeds held in the Wind-Down Account shall be allocated and paid to the applicable Holders of Allowed Claims until paid in full from time to time in the following priority (the "GUC Waterfall Recovery"): (i) first, $1 million distributed Pro Rata among Allowed General Unsecured Claims (the "GUC Distribution"); and (ii) second, all monies above the initial $1 million GUC Distribution shall be distributed Pro Rata among Prepetition 2L Notes Claims and Allowed General Unsecured Claims, provided that for the purposes of this clause (ii), Pro Rata shall mean the proportion that the amount of an Allowed General Unsecured Claim or Prepetition 2L Notes Claim, as applicable, bears to the aggregate amount of all Allowed and Disputed General Unsecured Claims and Prepetition 2L Notes Claims; (b) Holders of Prepetition 2L Notes Claims shall not receive any recovery on account of their deficiency claims from the GUC Distribution and (c) The Liquidating Trust's cost of pursuing and monetizing the GUC Assets shall be financed solely from "contingency" or other "litigation" funding and not, for the avoidance of doubt, from any account or reserve of the Wind-Down Debtors or the Liquidating Trust. The Liquidating Trustee shall have the sole discretion as to which Avoidance Actions or Commercial Torts are pursued, and to the extent any are pursued, the appropriate resolution of such GUC Assets.
- "Liquidating Trust Interests" means, collectively, the non-certified beneficial interest in the Liquidating Trust granted to each Liquidating Trust Beneficiary to distributed in accordance with this Plan and subject to the terms and conditions of the Liquidating Trust Agreement.

For further detail on the Plan as confirmed (and earlier iterations), see our comprehensive data set.

Voting Results

On August 22, 2024, the Debtors' claims agent notified the Court of the Plan voting results [Docket No. 1800] which were as follows:

- Class 1 ("Priority Claims"): 17 claim holders, representing $1,022,056.90 (100.0%) in amount and 100.0% in number, voted in favor of the Plan.

- Class 3 (“Prepetition 2L Notes Claims”): 56 claim holders, representing $262,742,177.00 (100.0%) in amount and 100.0% in number, voted in favor of the Plan.
- Class 4 (“General Unsecured Claims”): 60 claim holders, representing $18,899,130.95 (29.49%) in amount and 70.59% in number, voted in favor of the Plan. 25 claim holders, representing $45,195,767.72 (70.51%) in amount and 29.41% in number, rejected the Plan.

Key Documents

The Revised Disclosure Statement [Docket No. 1675] attaches the following documents:

- Exhibit A: Joint Chapter 11 Plan of Liquidation
- Exhibit B: Liquidation Analysis

The Debtors filed a **Plan Supplement** at Docket No. 1760, which attach the following exhibits:

[Docket No. 1760]

- Exhibit A: Liquidating Trust Agreement
- Exhibit B: Schedule of Retained Causes of Action

US Trustee Objection

On August 21, 2025, the U.S. Trustee objected to the Debtors’ Plan confirmation [Docket No. 1797], argues for myriad of reasons including, (i) inadequate information, (ii) non-fair treatment of creditors and (iii) non-consensual third-party releases.

Objection Overview

The U.S. Trustee urges Judge Alfredo R. Pérez to deny confirmation of Party City’s liquidating plan, arguing it violates the Bankruptcy Code, obscures key economics, and relies on impermissible “opt-out” devices to bind creditors.

First, the Disclosure Statement is inadequate under §1125 because it fails to give administrative and priority creditors clear, reliable information about timing and amount of payment. The Debtors ask these creditors to “agree”—by doing nothing—to less-than-full and delayed payment on the Effective Date, while bankruptcy professionals with the same statutory priority are slated to be paid in full. The papers do not justify the discount, explain the delay, or provide a firm path to the Effective Date, which the Debtors concede is uncertain.

Second, the Trustee points out that the plan sets aside $1.0mn for general unsecured creditors even though administrative claims must be satisfied in full before any distribution

to junior classes. That priority inversion is not a drafting glitch but a structural defect the Disclosure Statement attempts to blur.

Third, the plan's "Administrative/Priority Waterfall Treatment" is unconfirmable under §1129(a)(9)(A). The Debtors flip the consent burden by deeming silence as acceptance of reduced, non-statutory treatment. The Trustee argues that affirmative consent is required; implied agreement via opt-out is insufficient and at odds with decisions rejecting "consent by inaction," while the lone contrary view (e.g., Teligent) is criticized as a legal fiction that would chill post-petition trade and erode confidence in Chapter 11.

The Trustee also raises feasibility concerns under §1129(a)(11). The plan admits it will not go effective if asserted administrative/priority claims exceed $1.0mn, signaling potential administrative insolvency. That conditionality underscores that confirmation would merely set up a likely failure at the back end.

Separately, the plan's third-party releases are non-consensual and untenable after the Supreme Court's Purdue decision. Imposing releases on creditors (and even non-debtors) unless they opt out—regardless of voting eligibility—equates inaction with assent, contrary to basic consent principles and current law. The Trustee renews his earlier Disclosure Statement objections on releases.

Finally, the Trustee objects to waiving the 14-day stay under Bankruptcy Rule 3020(e). The Debtors show no exigency, and removing the stay would impair parties' ability to seek meaningful appellate relief before the plan becomes effectively unreviewable. The Trustee asks the Court to deny confirmation.

US Trustee Objection – From the Filings

The objection [Docket No. 1797] states, "[t]he Court should deny confirmation of the Plan because it fails to comply with the Bankruptcy Code and applicable law and does not treat all creditors fairly. The U.S. Trustee initially objected to the Plan and Disclosure Statement due to the lack of transparency, clarity, and consistency in the proposed solicitation procedures and Disclosure Statement. Consistent with the U.S. Trustee's position documented in the DS Objection and as argued at the hearing on the approval of the Disclosure Statement, the U.S. Trustee opposes the use of the opt-out mechanism in the Plan as used in conjunction with both (i) administrative/priority claims, and (ii) third-party releases.

The Disclosure Statement and Plan continue to suffer from several fundamental flaws that render the Plan unconfirmable.

First, the Disclosure Statement does not provide adequate information and leaves administrative and priority creditors without the information or assurances needed to make an informed decision. 11 U.S.C. § 1125(a)–(b). The Disclosure Statement and Plan include a proposed procedure to obtain the 'agreement' of administrative and priority claimants to accept less than full payment of their claims on the Effective Date, a proposition unsupported by the Bankruptcy Code or applicable law. Notably, the Disclosure Statement asks administrative and priority claimants to agree to this treatment without explaining the basis for the discount or why bankruptcy professionals—who hold the same administrative priority—will be paid in full on their allowed claims. What's more, even with this proposed procedure, the Debtors are uncertain when the Plan will go effective, if that will occur at all. This lack of clarity leaves administrative claimants in the dark as to when, or even if, their claims will be paid within a reasonable period.

Second, the Plan proposes a $1,000,000 distribution to general unsecured creditors — funds to which administrative claimants are entitled under the Bankruptcy Code. Yet, the Disclosure Statement fails to inform administrative claimants that the Bankruptcy Code requires that they be paid in full before distributions can be made to general unsecured creditors. The lack of adequate information in the Disclosure Statement is not merely a drafting flaw, but it is indicative of a structural defect in the Plan itself.

Third, the Plan's 'Administrative/Priority Waterfall Treatment' is fundamentally flawed and unconfirmable because it attempts to circumvent the Bankruptcy Code's mandate that all allowed administrative expenses to be paid in full on the effective date of the plan. This is not a guideline, but a congressionally mandated safeguard that ensures those who provide goods, services, and credit during the bankruptcy cases are compensated promptly and without compromise. If the Court were to countenance this 'consent' mechanism as a valid workaround, it would set a troubling precedent that could chill participation by administrative claimants in future reorganizations and potentially encourage future debtors to use the bankruptcy system to take advantage of the vendors, service providers, and other operational creditors who are essential to a debtor's post-petition operations. Undermining the treatment of these claims, particularly while ensuring full payment to bankruptcy professionals holding the same priority, threatens to erode the trust and predictability that are foundational to the Chapter 11 process...

Fourth, the Plan also includes non-consensual third-party releases in direct violation of the Supreme Court's ruling in Harrington v. Purdue Pharma L.P., 144 S. Ct. 2071, 2082-88 (2024). Specifically, the Plan seeks to involuntarily compel creditors—and even unidentified non-debtors— to release their claims against non-debtor third parties unless they timely submit an opt out form, regardless of whether they are eligible to vote on the

Plan or actually do so. This structure wrongly equates silence or inaction with affirmative consent and improperly treats a creditor's failure to opt out as a binding agreement to third-party releases. Such a mechanism is not only inconsistent with state law and principle of contracts but also violates Supreme Court precedent."

Status (Update: none)

General Background

On December 21, 2024, Party City Holdco Inc. and six affiliated Debtors filed for Chapter 11 protection with the U.S. Bankruptcy Court in the Southern District of Texas (Judge Alfredo R. Perez), noting estimated assets between $1.0bn and $10.0bn; and estimated liabilities between $1.0bn and $10.0bn.

In a press release announcing the filing, the Debtors advised that: "Party City Holdco Inc. ('PCHI' or the 'Company') today announced plans to commence a wind down of its retail and wholesale operations and going out of business sales at its approximately 700 stores nationwide after serving Party City customers for nearly 40 years as their one-stop-shop for all things celebration. The decision was made following exhaustive efforts by the Company to find a path forward that would allow continued operations in an immensely challenging environment driven by inflationary pressures on costs and consumer spending, among other factors."

Events Leading to the Chapter 11 Filing

In a declaration in support of the Chapter 11 filing (the "Rieger-Paganis Declaration"), Deborah Rieger-Paganis , the Debtors' chief restructuring officer, detailed the events leading to Party City's Chapter 11 filing. The Rieger-Paganis Declaration provides: "Since emerging from a chapter 11 reorganization in October 2023 (the 'Prior Cases'), PCHI focused its efforts on implementing initiatives intended to make the Company a more modern, efficient and profitable retail enterprise positioned for long-term growth. Those efforts included inventory optimization, right-sizing its workforce, updating its retail pricing methodology and exiting its historical manufacturing business to focus on retail and wholesale operations.

During the 14 months between the Debtors' emergence from chapter 11 and the filing of these cases, however, **PCHI continued to experience the challenges affecting all major retailers, including, among other things, inflationary pressures, macroeconomic factors affecting consumer discretionary spending, contracting margins and shifting customer preferences**. These factors placed significant pressure on the Company's business and liquidity position. As a result, in September 2024, PCHI launched an effort to raise incremental capital to fund the Company's business plan and navigate through a

projected liquidity trough. A confluence of factors — all further described below — frustrated those efforts, leaving the Company with insufficient runway to effectuate its long-term growth strategy while maintaining the liquidity necessary to operate its business.

Among other things, **the Company's efforts to obtain additional capital from either the ABL/FILO Lenders, the holders of the Company's Second Lien Notes (who are also PCHI's majority owners), and third-party strategic investors and lenders were unavailing. After the ABL Agent instituted a $50 million discretionary reserve under the ABL/FILO Facilities, on December 10, 2024, PCHI found itself in default thereunder**. Without any prospect for incremental capital or a liquidity infusion from the Company's existing lenders or investors, PCHI was compelled to pivot to a liquidation strategy, to be effected through chapter 11. Negotiations with the ABL/FILO Lenders culminated in the execution of the Forbearance Agreement, which required that PCHI file these cases by December 22, 2024 to effectuate an efficient and value-maximizing sale of the Company's assets and orderly wind down of its business.

As set forth herein and in the related First Day Motions, the **main components of these cases** are as follows:

- **Store Closing Sales**: shortly before the Petition Date, PCHI retained Gordon Brothers to assist the Company in liquidating substantially all of its inventory, merchandise and furniture, fixtures and equipment located in its stores and distribution center via retail and wholesale channels;
- **Other Asset Sales**: PCHI has filed a motion seeking approval of bidding and sale procedures to sell substantially all of its assets that will not be subject to the store closing sales — including its intellectual property and lease portfolio — pursuant to court-approved (a) bidding procedures, (b) de minimis asset sale procedures and (c) assumption and assignment procedures;
- **Cash Collateral**: PCHI has reached an agreement with the ABL Agent, the ABL/FILO Lenders, the Second Lien Notes Trustee, and the holders of Second Lien Notes permitting the consensual use of such lenders' cash collateral to fund these cases and the orderly wind down of its business; and
- **Plan Confirmation**: in parallel with these efforts, **PCHI will seek confirmation of a chapter 11 plan of liquidation on an expedited timeline** to bring these chapter 11 cases to an orderly and equitable conclusion.

Given the nature of PCHI's celebrations-focused business, the holiday season is one of the Company's busiest. Although this timing is unfortunate, it is essential that the Company commence its store closing sales and other asset-monetization efforts now — ahead of

the holidays — to capture the benefit for all stakeholders of the Christmas and New Year's selling seasons."

Prepetition Indebtedness

As of the Petition Date, the Debtors have approximately $400 million in total debt obligations.

The following table depicts the Debtors' prepetition capital structure:

Debt Obligations	Maturity	Approximate Outstanding Principal Amount as of the Petition Date
Secured Debt		
ABL Facility	October 2028	$149,165,942
FILO Facility	October 2028	$13,311,969
Second Lien Notes	January 2029	$267,527,394
	Total Secured Debt	**$399,005,305**

Significant Shareholders

PCHI is the ultimate parent of each of the Debtors. The following are all corporations, other than the debtor or a governmental unit, that directly or indirectly own 10% or more of any class of PCHI's equity interests:

- Capital Group/American Funds
- Davidson Kempner
- Silver Point Capital, L.P.

Liquidation Analysis and Recovery Table [See Exhibit B of Docket No. 1685 for notes]

Party City Holdco Inc.
Hypothetical Liquidation Analysis & Claims Recoveries

Summary Recovery Table

Class	Claim / Interest	Notes	Claim Amount		Chapter 11 Plan Recovery			Chapter 7
			Low	High	Low	Midpoint	High	Liquidation
-	The Gordon Brothers Settlement	[B]	$2,250,000	$2,250,000	100.0%	100.0%	100.0%	-
-	The Gordon Brothers Carve-out Recovery Claim	[B]	5,129,337	5,129,337	-	-	-	50.0%
-	Chapter 11 Administrative Expense / Claims		16,575,643	16,575,643	22.8%	29.0%	33.2%	0.0%
1	Priority Claims		13,204,152	13,204,152	22.8%	29.0%	33.2%	0.0%
2	Other Secured Claims		0	2,500,000	100.0%	100.0%	100.0%	100.0%
3	Prepetion 2L Notes / Claims		267,703,631	267,703,631	0.7%	1.4%	2.6%	1.2%
4	General Unsecured Claims		927,953,720	927,953,720	0.1%	0.1%	0.1%	0.0%
5	Intercompany Claims		-	-	0.0%	0.0%	0.0%	0.0%
6	Intercompany Interests		-	-	0.0%	0.0%	0.0%	0.0%
7	Interests in PCHI		-	-	0.0%	0.0%	0.0%	0.0%

Party City Holdco Inc.
Hypothetical Liquidation Analysis & Claims Recoveries

Illustrative Liquidation Analysis

	Notes	Estimated Value	Chapter 7 Amount	Estimated Chapter 11 Recovery Value Low	Estimated Chapter 11 Recovery Value Midpoint	Estimated Chapter 11 Recovery Value High	Chapter 7 %	Estimated Chapter 11 Recovery % Low	Estimated Chapter 11 Recovery % Midpoint	Estimated Chapter 11 Recovery % High
Asset Classes	[A]									
Credit Card Reserves		$450,000	$100,000	$200,000	$350,000	$450,000	22.2%	44.4%	77.8%	
Insurance Refunds		2,100,000	$900,000	1,800,000	2,000,000	2,100,000	42.9%	85.7%	95.2%	100.0%
Release of Escrow Funds		-	-	-	-	-	-	-	-	-
Return of Foreign Cash		400,000	-	-	100,000	400,000	-	-	25.0%	100.0%
A/R Collections		13,900,000	$750,000	1,500,000	1,800,000	2,000,000	5.4%	10.8%	12.9%	14.4%
Tax Refunds		2,750,000	$700,000	1,400,000	2,075,000	2,750,000	25.5%	50.9%	75.5%	100.0%
Misc. Deposits		1,000,000	-	-	100,000	200,000	-	-	10.0%	20.0%
Return of LC Cash Collateral		8,242,500	$1,000,000	2,000,000	2,800,000	3,700,000	12.1%	24.3%	34.0%	44.9%
Return of LC Cash Collateral - Workers' Comp		18,524,100	$2,150,000	4,300,000	5,300,000	7,300,000	11.6%	23.2%	28.6%	39.4%
Segregated Accounts		1,125,000	$1,125,000	1,125,000	1,125,000	1,125,000	100.0%	100.0%	100.0%	100.0%
Total Assets & Recovery Estimate		**48,491,600**	**6,725,000**	**12,325,000**	**15,650,000**	**20,025,000**	**13.9%**	**25.4%**	**32.3%**	**41.3%**

	Notes	Chapter 7 Amount	Liquidation Adjustments ($) Low	Liquidation Adjustments ($) Midpoint	Liquidation Adjustments ($) High	Chapter 7 %	% of Total Recoveries Low	% of Total Recoveries Midpoint	% of Total Recoveries High
Liquidation Adjustments	[1]								
Liquidation Trust Administrative Costs			(1,500,000)	(1,000,000)	(750,000)		12.2%	6.4%	3.7%
Chapter 7 Professional Fees		(675,000)	-	-	-	10.0%	-	-	-
Chapter 7 Trustee Fees		(225,000)	-	-	-	3.3%	-	-	-
Total Liquidation Adjustments		(900,000)	(1,500,000)	(1,000,000)	(750,000)	13.4%	12.2%	6.4%	3.7%
Net Proceeds Available for Distribution to Creditors		**$5,825,000**	**$10,825,000**	**$14,650,000**	**$19,275,000**				

Party City Holdco Inc.
Hypothetical Liquidation Analysis & Claims Recoveries

Illustrative Claims Recovery

	Notes	Claim Amount Low	Claim Amount High	Estimated Chapter 11 Recovery Value Low	Estimated Chapter 11 Recovery Value Midpoint	Estimated Chapter 11 Recovery Value High	Estimated Chapter 11 Recovery % Low	Estimated Chapter 11 Recovery % Midpoint	Estimated Chapter 11 Recovery % High
Net Proceeds Available for Distribution to Creditors				$10,825,000	$14,650,000	$19,275,000			
The Gordon Brothers Settlement C (ii)	[B]	$2,250,000	$2,250,000	2,250,000	2,250,000	2,250,000	100.0%	100.0%	100.0%
Remaining Amount Available for Distribution				8,575,000	12,400,000	17,025,000			
Chapter 11 Administrative Expense / Claims	[C]	$16,575,643	$16,575,643	3,777,970	4,813,569	5,510,410	22.8%	29.0%	33.2%
Remaining Amount Available for Distribution				4,797,030	7,586,431	11,514,590			
Priority Claims	[D]	13,204,152	13,204,152	3,009,530	3,834,488	4,389,590	22.8%	29.0%	33.2%
Remaining Amount Available for Distribution				1,787,500	3,751,943	7,125,000			
Other Secured Claims	[E]	-	2,500,000	-	103,886	207,772	100.0%	100.0%	100.0%
Remaining Amount Available for Distribution				1,787,500	3,648,057	6,917,228			
Prepetition 2L Notes / Claims	[F]	267,703,631	267,703,631	$1,787,500	3,648,057	6,917,228	0.7%	1.4%	2.6%
Remaining Amount Available for Distribution				-	-	-			
Remaining Article IV.L.1 Liquidation Proceeds Available for Distribution				-	-	-			
General Unsecured Claims*	[G, H]	927,953,720	927,953,720	1,000,000	1,000,000	1,000,000	0.1%	0.1%	0.1%
Remaining Amount Available for Distribution				-	-	-			
Remaining Article VII.C.2 Liquidation Proceeds Available for Distribution				-	-	-			

*Note: General Unsecured Claims are to be Paid from GUC Assets identified as Avoidance Actions & Commercial Torts, Not Otherwise Released Pursuant to the Plan