

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

GRITSTONE BIO, INC.,¹

Debtor.

Chapter 11

Case No. 24-12305 (KBO)

Related Docket Nos. 354, 355, 387

**NOTICE OF FILING OF LIQUIDATION ANALYSIS IN CONNECTION WITH
GRITSTONE BIO, INC.'S DISCLOSURE STATEMENT AND
CHAPTER 11 PLAN OF REORGANIZATION**

PLEASE TAKE NOTICE that on January 16, 2025, the above-captioned debtor and debtor in possession (the “Debtor”) filed *Gritstone bio, Inc.’s Chapter 11 Plan of Reorganization* [Docket No. 354] (the “Chapter 11 Plan”), the *Disclosure Statement with Respect to Gritstone bio, Inc.’s Chapter 11 Plan of Reorganization* [Docket No. 355] (the “Disclosure Statement”), and the *Debtor’s Motion for an Order (I) Approving the Disclosure Statement; (II) Scheduling Confirmation Hearing; (III) Approving Form and Manner of Notice of Confirmation Hearing; (IV) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan, Including (A) Approving Form and Content of Solicitation Materials; (B) Establishing Record Date and Approving Procedures for Distribution of Solicitation Materials; (C) Approving Forms of Ballots; (D) Establishing Voting Deadline for Receipt of Ballots and (E) Approving Procedures for Vote Tabulations; (V) Approving Form and Manner of Notice of Plan Releases; (VI) Establishing Deadline and Procedures for Filing Objections to Confirmation of Plan; and (VII) Granting Related Relief* [Docket No. 364] (the “Disclosure Statement Motion”). On January 29, 2025, the Debtor filed the *Amended Debtor’s Motion for an Order (I) Approving the Disclosure*

¹ The Debtor’s mailing address is 4698 Willow Road, Pleasanton, CA 94588, and the last four digits of the Debtor’s federal tax identification number is 9534.



Statement; (II) Scheduling Confirmation Hearing; (III) Approving Form and Manner of Notice of Confirmation Hearing; (IV) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan, Including (A) Approving Form and Content of Solicitation Materials; (B) Establishing Record Date and Approving Procedures for Distribution of Solicitation Materials; (C) Approving Forms of Ballots; (D) Establishing Voting Deadline for Receipt of Ballots and (E) Approving Procedures for Vote Tabulations; (V) Approving Form and Manner of Notice of Plan Releases; (VI) Establishing Deadline and Procedures for Filing Objections to Confirmation of Plan; and (VII) Granting Related Relief [Docket No. 387] (the “Amended Disclosure Statement Motion”).²

PLEASE TAKE FURTHER NOTICE THAT attached hereto is the liquidation analysis (the “Liquidation Analysis”) to be incorporated into the Disclosure Statement.³

PLEASE TAKE FURTHER NOTICE that the Debtor intends to present the Liquidation Analysis in connection with seeking approval of the Amended Disclosure Statement Motion at the hearing scheduled before the Honorable Karen B. Owens at the United States Bankruptcy Court, 824 Market Street, 6th Floor, Courtroom No. 3, Wilmington, Delaware 19801 on February 12, 2025, at 9:30 a.m., Prevailing Eastern Time.

² Capitalized terms not defined herein shall have the meaning provided in the Chapter 11 Plan, the Disclosure Statement, and the Amended Disclosure Statement Motion, as applicable.

³ The Liquidation Analysis is Exhibit B to the Disclosure Statement.

Dated: February 7, 2025

PACHULSKI STANG ZIEHL & JONES LLP

/s/ James E. O'Neill

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EXHIBIT "B"
LIQUIDATION ANALYSIS

INTRODUCTION

The “best interests” test in section 1129(a)(7) of the Bankruptcy Code requires that the Bankruptcy Court find, as a condition to confirmation of the Plan, that each holder of a Claim or Interest in each Impaired Class: (i) has accepted the Plan; or (ii) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such Person would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. To make these findings, the Bankruptcy Court must: (1) estimate the cash proceeds that a Chapter 7 trustee would generate if each Debtors’ Chapter 11 Cases were converted to Chapter 7 cases and the assets of such Debtors’ estates were liquidated as of the Conversion Date; (2) determine the distribution that each non-accepting holder of a Claim or Interest would receive from the net proceeds available for distribution under the priority scheme dictated in Chapter 7; and (3) compare each holder’s estimated recovery under a liquidation scenario to the distribution under the Plan that such Holder would receive if the Plan were confirmed and consummated.

To demonstrate that the Plan satisfies the best interests test, the Debtors with the assistance of their restructuring advisors have prepared this hypothetical liquidation analysis (the “Liquidation Analysis”), which estimates potential cash distributions to holders of allowed claims and interests in a hypothetical Chapter 7 liquidation of all the Debtors’ assets. The Liquidation Analysis is based upon certain assumptions further detailed in the accompanying “Notes to the Liquidation Analysis”.

Based on the estimated range of recoveries for each class of creditors in the Liquidation Analysis, the Debtors submit that holders of Impaired Claims will receive more value under the proposed Plan than in a liquidation scenario. The Plan thus satisfies the best interests test under section 1129(a)(7) of the Bankruptcy Code. This analysis is based on estimates and assumptions, while considered reasonable by management, may not be realized and are inherently subject to uncertainties, and actual recoveries in a chapter 7 liquidation could be higher or lower than recoveries set forth in this Liquidation Analysis.

STATEMENT OF LIMITATIONS

The Liquidation Analysis was prepared for the sole purpose of assisting the Bankruptcy Court and holders of Impaired Claims or Interests in making this determination and should not be used for any other purpose. The determination of the hypothetical proceeds, and costs of the liquidation of the Debtors’ assets, is an uncertain process involving the use of estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies beyond the control of the Debtors, their management, and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in an actual Chapter 7 liquidation, and unanticipated events and circumstances could affect the ultimate results. This Liquidation Analysis was prepared for the sole purpose of generating a reasonable good-faith estimate of the proceeds that would be generated if the Debtors were liquidated in accordance with Chapter 7 of the Bankruptcy Code after conversion of the Chapter 11 case. The Liquidation Analysis is not intended and should not be used for any other purpose. The

underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. No independent appraisals were conducted in preparing the Liquidation Analysis.

ACCORDINGLY, WHILE DEEMED REASONABLE BASED ON THE FACTS CURRENTLY AVAILABLE, NEITHER THE DEBTORS NOR THEIR PROFESSIONALS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.

The Liquidation Analysis contains numerous estimates, including estimated Allowed Claims based upon a review of the Debtors' financial statements and filed claims to account for estimated liabilities as necessary, as well as various other financial statements and reports (the "Financial Reports"). In addition, the Liquidation Analysis includes estimates for Claims not currently asserted in the Chapter 11 Case or currently contingent, but which could be asserted and Allowed in a Chapter 7 liquidation, including but not limited to Administrative Claims, claims arising in connection with the rejection of real property leases, employee-related obligations, Liquidation Costs (as defined herein), trustee fees, tax liabilities and other Allowed Claims. To date, the Bankruptcy Court has not estimated or otherwise fixed the total amount of Allowed Claims used for purposes of preparing the Liquidation Analysis. For purposes of the Liquidation Analysis, the Debtors' estimates of Allowed Claims contained in the Liquidation Analysis reference specific Claims estimates, even though the Debtors' estimates of ranges of projected recoveries under the Plan to holders of Allowed Claims and Interests are based on ranges of Allowed Claims and Interests. Therefore, estimates of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including determining the value of any distribution to be made on account of Allowed Claims and Interests under the Plan.

NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE OR CONSTITUTES A CONCESSION OR ADMISSION OF THE DEBTORS. THE ACTUAL AMOUNTS OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.

The cessation of business in a liquidation is likely to trigger certain claims that otherwise would not exist under a Plan absent a liquidation. These types of administrative and priority claims have not been accounted for in the Liquidation Analysis. However, it is important to note these will need to be paid in full before any balance of liquidation proceeds would be available to pay general unsecured creditors.

Examples of these kinds of claims include various potential rejection damages claims arising from the rejection of executory contracts or leases, unpaid Administrative Claims from the Chapter 11 Cases, and other contingent and unknown claims. These additional claims could be significant; some may be administrative expenses, others may be entitled to priority in payment over General Unsecured Claims. **THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN**

THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS SET FORTH IN THE LIQUIDATION ANALYSIS.

BASIS OF PRESENTATION

The hypothetical Liquidation Analysis assumes conversion of each of the Debtors' Chapter 11 Cases to Chapter 7 liquidation cases on March 15, 2025 (the "Conversion Date") and presents a recovery scenario assuming an orderly liquidation of substantially all the Debtors' operations. On the Conversion Date, it is assumed that the Bankruptcy Court would appoint a Chapter 7 trustee to oversee the liquidation of the bankruptcy estates of the Debtors, during which time all of the assets of the Debtors would be sold or otherwise liquidated, and the net cash proceeds (net of liquidation-related costs) would be distributed to creditors in accordance with applicable law.

The Liquidation Analysis is premised on the assumption that the Debtors enter chapter 7 on the Conversion Date and that the Trustee continues to implement the same wind-down plan that the Debtors initiated during the Chapter 11 Cases.

While the Liquidation Analysis assumes a March 15, 2025, Conversion Date, estimated recoveries in a hypothetical chapter 7 liquidation are estimated as of the Effective Date, as required by the Bankruptcy Code, so that they can be compared to the projected recoveries under the Debtors' proposed plan. For purposes of this analysis, the estimated Effective Date is March 31, 2025.

As of the end of December 2024, substantially all of the Debtors' assets have been sold (or liquidated if not assumed to be sold) and the only primary asset for distribution are the cash proceeds from the sale of substantially all of the assets.

The Debtors assume a liquidation would be conducted pursuant to chapter 7 of the Bankruptcy Code, with a Trustee appointed to manage the bankruptcy estates. The Trustee would be responsible for liquidating the Debtors' assets in a manner intended to maximize the recovery to creditors. Asset sale proceeds resulting from the liquidation process would be reduced by the expenses of the liquidation process prior to distributing such proceeds to any holders of allowed claims. The major components of the process are as follows:

- Cash on hand, including cash proceeds from the sale of substantially all of its assets;
- Costs and post-conversion cash flow related to the liquidation process, such as estate wind down costs, and Trustee and professional fees; and
- Distribution of net proceeds generated from asset sales to claimants in accordance with the priority scheme under chapter 7 of the Bankruptcy Code.

Except as otherwise noted herein, the Liquidation Analysis is based on the projected balance sheets of the Debtors as of the Conversion Date. Several asset values were adjusted on a pro forma basis to the Conversion Date. For certain other assets, historical balance sheet amounts, unless otherwise noted herein, are intended to be a proxy.

LIQUIDATION ANALYSIS**Liquidation Analysis - Conversion to Chapter 7**

<i>\$ thousands</i>	Notes	Book Value	\$ Recovery		% Recovery	
			Low	High	Low	High
Current Assets						
Cash & Cash Equivalents	(1)	19,750.0	19,750.0	19,750.0	100%	100%
Prepays & Other Current Assets, net	(2)	2,912.6	-	145.0	- %	5%
Subtotal - Current Assets		22,662.6	19,750.0	19,895.0	87%	88%
Non-Current Assets						
Fixed Assets	(3)	-	-	-	- %	- %
Intangible Assets	(4)	-	-	1,450.0	- %	- %
Other Non-Current Assets	(5)	-	-	-	- %	- %
Subtotal - Non-Current Assets		-	-	1,450.0	- %	- %
Recovery on D&O Proceeds / Preference / Other Causes of Action	(6)		500.0	3,000.0		
Total Distributable Proceeds		22,662.6	20,250.0	24,345.0		
Chapter 7 Liquidation Costs						
Trustee Commission Fees	(7)		(25.0)	(133.5)		
Operating Wind-down Costs (inc. US Trustee fees)	(8)		(750.0)	(500.0)		
Trustee Professional Fees	(9)		(1,000.0)	(750.0)		
Subtotal - Chapter 7 Liquidation Costs			(1,775.0)	(1,383.5)		
Remaining Proceeds Available for Distribution			18,475.0	22,961.5		
Super Senior Secured Claims						
DIP Financing	(10)	25,695.0	18,475.0	22,961.5	72%	89%
Subtotal - Super Senior Secured Claims		25,695.0	18,475.0	22,961.5	72%	89%
Remaining Proceeds Available for Distribution			-	-		
Priority Claims						
Ch. 11 Administrative Claims	(11)	107.6	-	-	- %	- %
Ch. 11 Priority Claims	(12)	100.0	-	-	- %	- %
Subtotal - Administrative Claims		207.6	-	-	- %	- %
Remaining Proceeds Available for Distribution			-	-		
Unsecured Claims						
General Unsecured Claims	(13)	16,819	-	-	- %	- %
DIP Financing (Deficiency Claim)	(14)	2,734 - 7,220	-	-	- %	- %
Other Secured (Deficiency Claim)	(15)	17,853	-	-	- %	- %
Subtotal - Unsecured Claims		-	-	-	- %	- %
Remaining Proceeds Available for Equity			-	-		

NOTES TO THE LIQUIDATION ANALYSIS

Note 1 – Cash and Cash Equivalents

Reflects the Debtors' estimated cash balance as of the Conversion Date. The Debtors estimate 100% realization on projected unrestricted Cash and cash equivalents as of the Conversion Date. Cash and cash equivalents includes proceeds from sale of the Debtor's assets which closed prior to the Conversion Date.

Note 2 – Prepaids & Other Current Assets ("OCA")

A significant portion of Prepaids and OCA relates to other receivables, deposits and prepayments for items including but not limited to insurance, rent, and advance payments. Recovery on account of deposits, and prepaid items are expected to be minimal given deposits / prepaids are either (a) unlikely to be recovered from counterparties given the distressed nature of the Debtor (b) would be offset against the Debtor's liabilities and minimal amount would be recovered.

Note 3 – Fixed Assets / Property, Plant, and Equipment (PP&E)

Primarily consists of computer hardware, software, lab equipment, office equipment, furniture and fixtures, leasehold improvements, construction in progress, and other fixed assets. The Debtor notes that all of PP&E / Fixed assets were sold prior to the Conversion Date and thus no value prescribed to any Fixed Assets.

Note 4 – Intangible Assets

Intangible Assets consists of include intellectual property, including binder of intellectual property, IP addresses, internally developed technology, and goodwill. It is assumed that these intangible assets have low recoverable value in a Chapter 7 liquidation Scenario.

Note 5 – Other Non-Current Assets ("ONCA")

A significant portion of ONCA relates to right of use assets with respect to the various real estate and other leases that the Debtors are party to. The Debtor assumes right-of use assets to be zero given right-of-use assets are not assets owned by the Debtors, not entitled to the value of the monetization of these assets, and all real estate leases are assumed to be rejected as of Conversion Date.

Note 6 – Recovery on D&O Proceeds / Preferences / Other Causes of Action

Represents an estimate range of recoveries from the debtors' D&O insurance policy as well as other claims and causes of action based on the information and analysis available at the time of filing the liquidation analysis. These assets are encumbered by the Debtor in Possession financing. Also includes the estimated range of recoveries on account of preference payments (i.e., payments made to vendors in the 90 days preceding the Chapter 11 bankruptcy that were not in the ordinary course) net of expenses associated with the prosecution of such claims. These assets are encumbered by the Debtor in Possession financing.

Note 7 – Trustee Commission Fees

Fees associated with the appointment of a chapter 7 trustee in accordance with section 326 of the Bankruptcy Code. Distributable value on which the trustee commission fee is charged includes all distributable value to creditors monetized by the trustee, and therefore excludes cash and cash equivalents which includes sale proceeds from the Debtor's assets that is assumed to be completed prior to the Conversion Date.

Note 8 – Operating Wind-Down Costs

Wind-down costs reflect the estimated cost of achieving recoveries on the Debtors' assets, such as personnel and other operational costs. Personnel costs would include one or two individuals with knowledge of the books and records of the Debtor's estate to assist in the wind-down. Other costs assumed to be incurred would include completion of final tax returns and the payment of US trustee fees.

Note 9 – Trustee Professional Fees

Represents the fees associated with the professionals engaged by the trustee to assist with the liquidation of the Debtors assets under a hypothetical Chapter 7 liquidation process, under the direction of the trustee. Advisors will be needed to amongst other things, incur fees and costs learning to become familiar with the Debtor assets, reconcile claims, prosecute claims and causes of action and monetize any residual assets.

Note 10 – DIP Financing Claim

Represents the estimated claim for the \$25m DIP facility funded by the Future Solution Investments LLC ("FSI"), which has security over virtually all Debtor assets and ranks above all other claims in terms of priority. Also included in the claim amount are accrued and unpaid PIK interest through the assumed Effective Date.

Note 11 – Estate Administrative Claims

Represents estimated accrued and unpaid Estate Administrative Expenses, primarily comprised of the following (1) estimated unpaid post-petition trade accounts payable and (2) estimated 503(b)(9) claims and (3) and a contingency for other potential administrative claims

Note 12 – Other Priority Claims

Priority claims represent accrued liabilities for taxes and employee obligations payable by the Debtor entities. The ultimate amount of priority claims is undetermined as of the date hereof, but is based on the schedule priority claims as the review of priority claims submitted by the Claims Bar Date remains ongoing and therefore this represents the best estimate.

Note 13 – General Unsecured Claims

Represents all other general unsecured claims which includes trade payables, contract rejection claims, employee severance claims for amounts exceeding the priority claim threshold, contingent / litigation claims, and other unsecured claims. The ultimate amount of other general unsecured claims is undetermined as of the date hereof but is based on a preliminary review of the Proofs of Claims filed and the Debtors' best estimates for any unquantified claims that the Debtors expect a valid unsecured claim to exist.

Note 14 – DIP Financing Deficiency Claim

To the extent the liquidation analysis reflects a recovery on only a portion of the DIP Financing claims from encumbered distributable proceeds, this claim represents the remaining portion of the secured claim for which there was not sufficient encumbered value to pay in full. This claim is considered *pari passu* with all other unsecured claims.

Note 15 – Other Secured Deficiency Claims

Represent the deficiency claim for the prepetition Secured Claims of Hercules Capital, Inc. and Silicon Valley Bank.