UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:	:	Chapter 11
	:	
BP CLOTHING LLC,	:	Case No. 11-15696 (SCC)
	:	
Debtor.	:	
	:	
	:	

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AMENDED DISCLOSURE STATEMENT WITH RESPECT TO AMENDED CHAPTER 11 PLAN OF REORGANIZATION FOR BP CLOTHING LLC

Dated: ~~February 28,~~April 19, 2012
New York, New York

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THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M. APRIL 12, 2012 PREVAILING EASTERN TIME UNLESS EXTENDED BY THE DEBTOR. TO BE COUNTED, COUNSEL FOR THE DEBTOR MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE.

CERTAIN INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT, THE PLAN AND ANY EXHIBITS ATTACHED HERETO IS SPECULATIVE, AND PERSONS SHOULD NOT RELY ON SUCH DOCUMENTS IN MAKING INVESTMENT DECISIONS WITH RESPECT TO (A) THE DEBTOR OR (B) ANY OTHER ENTITIES THAT MAY BE AFFECTED BY THE DEBTOR'S CHAPTER 11 CASE.

BP CLOTHING LLC, AS DEBTOR AND DEBTOR IN POSSESSION, IS PROVIDING THE INFORMATION IN THE DISCLOSURE STATEMENT FOR THE CHAPTER 11 PLAN OF REORGANIZATION OF THE DEBTOR TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN. YOU SHOULD NOT RELY UPON OR USE THE INFORMATION IN THE DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M. (PREVAILING EASTERN TIME) ON APRIL 12, 2012, UNLESS EXTENDED BY THE DEBTOR (THE "VOTING DEADLINE"). TO BE COUNTED, BALLOTS MUST BE RECEIVED BY COUNSEL FOR THE DEBTOR ON OR BEFORE THE VOTING DEADLINE.

THE DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THE DEBTOR BELIEVES THAT THE SOLICITATION OF VOTES ON THE PLAN MADE BY THE DISCLOSURE STATEMENT, AND THE OFFER OF THE NEW SECURITIES THAT MAY BE DEEMED TO BE MADE PURSUANT TO THE SOLICITATION ARE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1934, AS AMENDED (THE "SECURITIES ACT"), AND ANY SIMILAR FEDERAL, STATE OR LOCAL LAWS IN RELIANCE ON SECTION 1145(a)(1) OF THE BANKRUPTCY CODE. TO THE EXTENT THAT SECTION 1145(a)(1) OF THE BANKRUPTCY CODE IS INAPPLICABLE, THE DEBTOR BELIEVES THAT THE NEW SECURITIES TO BE ISSUED UNDER THE PLAN WILL BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND ANY SIMILAR FEDERAL, STATE, OR LOCAL LAWS BY REASON OF THE EXEMPTION SET FORTH IN SECTION 4(2) OF THE SECURITIES ACT OR REGULATIONS PROMULGATED THEREUNDER.

THE DEBTOR WILL BE FILING A PLAN SUPPLEMENT NO LATER THAN SEVEN (7) DAYS PRIOR TO THE VOTING DEADLINE.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF INTERESTS IN, THE DEBTOR (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS OR INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

THE DISCLOSURE STATEMENT MAY CONTAIN "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR

OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE. DUE TO THESE UNCERTAINTIES, READERS CANNOT BE ASSURED THAT ANY FORWARD-LOOKING STATEMENTS WILL PROVE TO BE CORRECT. THE DEBTOR IS UNDER NO OBLIGATION TO (AND EXPRESSLY DISCLAIMS ANY OBLIGATION TO) UPDATE OR ALTER ANY FORWARD-LOOKING STATEMENTS WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE, UNLESS INSTRUCTED TO DO SO BY THE BANKRUPTCY COURT.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THE DISCLOSURE STATEMENT. THE DEBTOR URGES EACH HOLDER OF A CLAIM OR AN INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THE DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURE CONTAINED IN THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN.

IT IS THE DEBTOR'S POSITION THAT THE DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. RATHER, HOLDERS OF CLAIMS AND INTERESTS AND OTHER ENTITIES SHOULD CONSTRUE THE DISCLOSURE STATEMENT AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR CAUSE OF ACTION, CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE DEBTOR MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS. THE PLAN RESERVES FOR THE DEBTOR THE RIGHT TO BRING CAUSES OF ACTION (DEFINED IN THE PLAN) AGAINST ANY ENTITY OR PARTY IN INTEREST EXCEPT THOSE SPECIFICALLY RELEASED.

THE DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS

IN THE DEBTOR'S CHAPTER 11 CASE AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTOR BELIEVES THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THE DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR'S MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTOR DOES NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE DEBTOR'S MANAGEMENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THE DISCLOSURE STATEMENT. ALTHOUGH THE DEBTOR HAS USED REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, NO ENTITY HAS AUDITED THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THE DISCLOSURE STATEMENT.

THE DEBTOR IS MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTOR MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THE DISCLOSURE STATEMENT, THE DEBTOR HAS NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THE DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DEBTOR FILED THE DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTOR AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN, INCLUDING, WITHOUT LIMITATION, ANY RISK FACTORS CITED HEREIN, IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.

THE DEBTOR HAS NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THE DISCLOSURE STATEMENT. THE DEBTOR HAS NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTOR OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THE DISCLOSURE STATEMENT.

PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM IN A VOTING CLASS SHOULD CONSIDER CAREFULLY ALL OF

THE INFORMATION IN THE DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL HEREIN.

ALL CAPITALIZED TERMS IN THE DISCLOSURE STATEMENT NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS GIVEN TO THEM IN THE PLAN, ATTACHED TO THE DISCLOSURE STATEMENT AS EXHIBIT A.

THE DEBTOR AND THE DEBTOR'S CONSENTING LENDERS SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THE DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTOR OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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ARTICLE I

SUMMARY

Section 1.01. General.

BP Clothing LLC, as Debtor and debtor in possession, hereby transmits the Disclosure Statement (as may be amended, supplemented or otherwise modified from time to time, the "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101- 1532, as amended (the "Bankruptcy Code"), in connection with the Debtor's solicitation of votes (the "Solicitation") to confirm the Chapter 11 Plan of Reorganization for BP Clothing LLC dated as of February __,April 19, 2012, a copy of which is attached to the Disclosure Statement as Exhibit A (as may be amended, the "Plan").[1]

The purpose of the Disclosure Statement is to set forth information concerning: (i) the history of the Debtor and its business; (ii) the Chapter 11 Case; and (iii) the Plan and alternatives to the Plan. The Disclosure Statement also provides advice to Holders of Claims and Interests of their rights under the Plan, and assistance to Holders of Claims entitled to vote on the Plan, so they may make an informed judgment regarding whether they should vote to accept or reject the Plan.

The Plan described in the Disclosure Statement provides for the Debtor's emergence from the Chapter 11 Case, which the Debtor anticipates will occur in May, 2012. NewCo, a Delaware limited liability company that is to be formed on or prior to the Effective Date by the Senior Lenders or such other party as directed by the Senior Lenders, will own one hundred percent (100%) of the Reorganized Debtor on and after the Effective Date, and is participating in the Plan as an affiliate of the Debtor. NewCo is a proponent of the Plan. Under the Plan, the Creditors entitled to a distribution will be receiving their consideration in the form of Reorganized Debtor Common Units.

Prior to the Petition Date, and following careful consideration of all alternatives, the Debtor determined that the commencement of the Chapter 11 Case was a prudent and necessary step to maximize the going concern value of the Debtor's business. Through the commencement of the Chapter 11 Case, the Debtor intended to restructure its debt obligations while continuing normal operations. Under the Plan, the Existing Equity Interests of the Debtor will be canceled, and the Reorganized Debtor shall issue the Reorganized Debtor Common Units to the Holders of the Senior Lender First-Out Obligation Claims and the Senior Lender Second-Out Obligation Claims on account of their Claims, and immediately after such issuance, such Reorganized Debtor Units shall be contributed to NewCo in exchange for the NewCo Common Units. Importantly, the proposed debt restructuring pursuant to the proposed Plan will enhance the Debtor's liquidity and reduce its leverage.

The Debtor commenced the Chapter 11 Case after extensive discussions among the Debtor and the Consenting Lenders, which discussions resulted in the Debtor and the Consenting Lenders entering into the Plan Support Agreement, dated as of December 8, 2011. Pursuant to the terms of the Plan Support Agreement, the Consenting Lenders agreed to support the restructuring

[1] Capitalized terms used but not defined herein shall have the meanings ascribed to them in Section 1.01 of the Plan.

transactions contemplated by the Plan, and to vote to accept the Plan, subject to receipt of a disclosure statement and certain other conditions. Prior to the Petition Date, the Debtor and the Consenting Lenders engaged in arms-length negotiations, which resulted in an agreed upon term sheet memorializing the terms of the Plan. Given the deterioration of the Debtor's business, the going concern value of the Debtor has become insufficient to even satisfy the claims of the Debtor's Senior Lenders in full. Accordingly, the Holders of the Senior Lender First-Out Obligation Claims and the Senior Lender Second-Out Obligation Claims have agreed to take a substantial haircut. Moreover, the Holders of the Subordinated Lender Claims and the Debtor's unsecured noteholders, the PIK Lenders, in recognition of the Debtor's diminished value, have agreed to support a plan of reorganization in which they receive no distribution on account of their Claims.[2] In that regard, all General Unsecured Creditors will not be receiving a distribution on account of the General Unsecured Claims.

On ~~February __,~~March 12, 2012, the Bankruptcy Court entered an order: (i) Granting Conditional Approval of the Proposed Disclosure Statement to Accompany the Debtor's Plan Of Reorganization; (ii) Scheduling a Combined Hearing Under 11 U.S.C. § 105(d)(2)(B)(Vi) to Approve the Adequacy of the Disclosure Statement and to Confirm the Chapter 11 Plan of Reorganization; (iii) Prescribing Notice and Solicitation Procedures; and (iv) Establishing Deadlines and Procedures for Filing Objections to the Approval of the Disclosure Statement or Confirmation of Plan. **The Order establishes April 12, 2012 at 4:00 p.m. (prevailing Eastern Time) as the deadline for the return of Ballots accepting or rejecting the Plan (the "Voting Deadline"). APPROVAL OF THE DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

The Disclosure Statement Order sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan, and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each Holder of a Claim entitled to vote on the Plan should read the Disclosure Statement and the Exhibits hereto, including the Plan and the Disclosure Statement Order, as well as the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Interests for voting purposes and the tabulation of votes. No solicitation of votes may be made except pursuant to the Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtor and its business other than the information contained in the Disclosure Statement, the Plan and all Exhibits hereto and thereto.

THE DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN. THE DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW. THE DESCRIPTION OF THE PLAN HEREIN IS ONLY A SUMMARY. HOLDERS OF CLAIMS AND INTERESTS AND OTHER PARTIES-IN-INTEREST ARE CAUTIONED TO REVIEW

[2] While the Plan Support Agreement provides for a recovery by the Holders of the Subordinated Lender Claims, subsequent events have resulted in the consensual agreement by such Holders to receive a zero distribution on account of their Claims, as discussed in detail in section 1.05 *infra*.

THE PLAN AND ANY RELATED EXHIBITS AND ATTACHMENTS FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS. THE DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN.

Additional copies of the Disclosure Statement (including the Exhibits hereto) are available upon request made to the office of the Debtor's counsel, Olshan Grundman Frome Rosenzweig & Wolosky LLP, Park Avenue Tower, 65 East 55th Street, New York NY 10022, Attention: Michael S. Fox, Esq. and Jordanna L. Nadritch, Esq., (212) 451-2300 (phone) or (212) 451-2222 (facsimile).

In addition, a Ballot for voting to accept or reject the Plan is enclosed with the Disclosure Statement for the Holders of Claims that are entitled to vote to accept or reject the Plan. If you are a Holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, please contact the counsel for the Debtor at the address and phone number listed above.

Each Holder of a Claim entitled to vote on the Plan should read the Disclosure Statement, the Plan, the other Exhibits attached hereto and the instructions accompanying the Ballots in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims and Interests for voting purposes and the tabulation of votes.

The Plan organizes the Debtor's creditor and equity constituencies into groups called "Classes." For each Class, the Plan describes (a) the underlying "Claim" or "Interest," (b) the recovery available to the Holders of Claims or Interests in that Class under the Plan, (c) whether the Class is "Impaired" under the Plan, meaning that each Holder will receive less than the full value on account of its Claim or Interest or that the rights of Holders under law will be altered in some way (such as receiving stock instead of holding a Claim) and (d) the form of consideration (*e.g.*, Cash, stock or a combination thereof), if any, that such Holders will receive on account of their respective Claims or Interests.

The table below provides a summary of the classification, treatment and estimated recoveries of Claims and Interests under the Plan. This information is provided in summary form below for illustrative purposes only, is subject to material change based on contingencies related to the claims reconciliation process, and is qualified in its entirety by reference to the provisions of the Plan.

THE ESTIMATED PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND ARE THEREFORE SUBJECT TO CHANGE.

SUMMARY OF TREATMENT OF CLAIMS AND EQUITY INTERESTS AND ESTIMATED RECOVERIES

Class	Treatment of Claims and Interests	Estimated Aggregate Claims	Estimated Percent Recovery	
			Plan	Liquidation
Class 1: Priority Non-Tax Claims	The legal, equitable and contractual rights of the Holders of Class 1 Claims are unaltered by the Plan. Except to the extent a Holder of a Priority Non-Tax Claim agrees to different treatment, each Holder of an Allowed Priority Non-Tax Claim will be paid, in full and complete satisfaction, settlement, and release of and in exchange for such Allowed Priority Non-Tax Claim, the Allowed Amount of such Allowed Priority Non-Tax Claim in full in Cash on the later of the Effective Date and the first Distribution Date subsequent to the date such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim.	--	100%	100%
Class 2: Senior Lender First-Out Obligation Claims	Except to the extent that a Holder of an Allowed Senior Lender First-Out Obligation Claim agrees to different treatment, each Holder of an Allowed Senior Lender First-Out Obligation Claim shall receive, in full and complete satisfaction, settlement and release of and in exchange for such Allowed Senior Lender First-Out Obligation Claim, its pro rata share of 65.0% of the Reorganized Debtor Common Units; *provided*, *however*, that Orpheus Holdings LLC ~~has~~and Orpheus Holdings LTD have agreed that a portion of the distribution to which ~~it~~they would otherwise be entitled on account of ~~its~~their respective Class 3 ~~Senior~~Secured Lender Second Out Obligation ~~Claim~~Claims in the amount of an aggregate of ~~21.5~~7.5% and 7.6% of the Reorganized Debtor Common Units, respectively, shall be distributed to the Holders of Class 2 Senior Lender First-Out Obligation Claims other than to Orpheus Holdings LLC, Orpheus Holdings LTD, and	$30,323,173	95.9%	8.0%

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	MVC on a pro rata basis (the "Orpheus Holdings Redistribution").[3] Each Holder of an Allowed Senior Lender First-Out Obligation Claim shall, immediately following receipt of its share of the Reorganized Debtor Common Units (including the units being received on account of the Orpheus Holdings Redistribution), contribute such units to NewCo, and, in exchange for such Holder's Reorganized Debtor Common Units, such Holder shall receive an equal share of the NewCo Common Units.			
Class 3: Senior Lender Second-Out Obligation Claims	Except to the extent that a Holder of an Allowed Senior Lender Second-Out Obligation Claim agrees to different treatment, each Holder of an Allowed Senior Lender Second-Out Obligation Claim shall receive, in full and complete satisfaction, settlement and release of and in exchange for such Allowed Senior Lender Second-Out Obligation Claim, a pro rata share of 35.0% of the Reorganized Debtor Common Units; *provided*, *however*, that Orpheus Holdings LLC ~~has~~and Orpheus Holdings LTD have agreed to the Orpheus Holdings Redistribution. Each Holder of an Allowed Senior Lender Second-Out Obligation Claim shall, immediately following receipt of its share of the Reorganized Debtor Common Units, contribute such units to NewCo, and, in exchange for such Holder's Reorganized Debtor Common Units, such Holder shall receive an equal share of the NewCo Common Units.	$17,502,517	89.7% (not including the Orpheus Holdings Redistribution)	0%
Class 4: Factor Claims	The Factoring Agreement, to the extent obligations thereunder are outstanding as of the Effective Date, will be paid in Cash or amended and restated, as agreed by the Senior Lenders and the Factor Lenders.	$3,708,448.00	--	--
Class 5: Subordinated Lender Claims	No distributions shall be made under the Plan on account of the Subordinated Lender Claims, and the Subordinated Obligations shall be cancelled.	$35,132,925.41	0%	0%
Class 6:	No distributions shall be made under the	$6,837,960	0%	0%

[3] Orpheus Holdings LLC, Orpheus Holdings LTD, and the other Holders of Senior Lender First-Out Obligation Claims have agreed to this distribution for the reasons discussed in section 1.05 ~~below~~of the Disclosure Statement. Orpheus Holdings LLC and Orpheus Holdings LTD shall evidence ~~its~~their consent to ~~the Orpheus Holdings Redistribution~~such different treatment by submitting a Ballot accepting the Plan.

PIK Lender Claims	Plan on account of the PIK Lender Claims and all the PIK Notes shall be cancelled.			
Class 7: General Unsecured Claims	No distributions shall be made under the Plan on account of the General Unsecured Claims.	$684,510.66[4]	0%	0%
Class 8: Existing Equity Interests	Each Holder of an Existing Equity Interest shall not receive or retain any property or interests on account of such interest and any such interest shall be cancelled and extinguished on the Effective Date.	--	0%	0%

The Debtor believes that the Plan provides the best recoveries possible for Holders of Allowed Claims and Interests and strongly recommends that, if such Holders are entitled to vote, they vote to accept the Plan.

Section 1.02. Classification of Claims and Interests

The following table designates the Classes of Claims against and Interests in the Debtor, and specifies which Classes are (a) Impaired or Unimpaired by the Plan, (b) entitled to vote to accept or reject the Plan in accordance with section 1126 of the Bankruptcy Code, or (c) deemed to accept or reject the Plan.

Class	Designation	Impairment	Entitled to Vote
Class 1	Priority Non-Tax Claims	No	No (Deemed to accept)
Class 2	Senior Lender First-Out Obligation Claims	Yes	Yes
Class 3	Senior Lender Second-Out Obligation Claims	Yes	Yes
Class 4	Factor Claims	Yes	Yes
Class 5	Subordinated Lender Claims	Yes	No (Deemed to reject)
Class 6	PIK Lender Claims	Yes	No (Deemed to reject)
Class 7	General Unsecured Claims	Yes	No (Deemed to reject)
Class 8	Existing Equity Interests	Yes	No (Deemed to reject)

Section 1.03. Voting; Holders of Claims Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected a plan of reorganization are entitled to vote to accept or reject such proposed plan. Generally, a claim or interest is impaired under a plan if the holder's legal, equitable or contractual rights are altered under such plan. Classes of claims or equity interests under a chapter 11 plan in which the holders of claims or equity interests are unimpaired are deemed to have accepted such plan and are not entitled to vote to accept or reject the proposed plan. In addition, classes of claims

[4] This number does not include any Claims arising out of the rejection of an Executory Contract or unexpired lease. However, Claims arising out of the rejection of an Executory Contract or unexpired lease shall be treated as General Unsecured Claims as provided for in section 9.05 of the Plan.

or equity interests in which the holders of claims or equity interests will not receive or retain any property on account of their claims or equity interests are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan.

In connection with the Plan:

- Claims in Classes 2, 3, and 4 are Impaired and the Holders of such Claims will receive distributions under the Plan. As a result, Holders of Claims in Classes 2, 3, and 4 are entitled to vote to accept or reject the Plan;

- Claims in Classes 1 are Unimpaired. As a result, Holders of Claims in Class 1 are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan; and

- Claims and Interests in Classes 5, 6, 7, and 8 are Impaired and the Holders of such Claims and Interests will not receive any distribution on account of such Claims and Interests. As a result, the Holders of Claims and Interests in Classes 5, 6, 7, and 8 are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. **Your vote on the Plan is important**. The Bankruptcy Code requires as a condition to confirmation of a plan of reorganization that each class that is impaired and entitled to vote under a plan vote to accept such plan, unless the provisions of section 1129(b) of the Bankruptcy Code are met.

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Debtor, with the consent of the Required Lenders, reserves the right to amend the Plan and/or to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan of reorganization notwithstanding the non-acceptance of a plan by one or more impaired classes of claims or equity interests, so long as at least one impaired class of claims or interests votes to accept the plan. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class.

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. The Disclosure Statement, the Exhibits attached hereto, the Plan and the related documents are the only materials the Debtor are providing to creditors for their use in determining whether to vote to accept or reject the Plan, and such materials may not be relied upon or used for any purpose other than to vote to accept or reject the Plan.

Please complete, execute and return your Ballot(s) to the counsel for the Debtor at the address below:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
Attention: Jordanna L. Nadritch

65 East 55th Street
New York, New York 10022
Tel. (212) 451-2300

TO BE COUNTED, YOUR ORIGINAL BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED BY COUNSEL FOR THE DEBTOR NO LATER THAN **4:00 P.M., PREVAILING EASTERN TIME**, **ON APRIL 12, 2012** UNLESS EXTENDED BY THE DEBTOR. YOUR BALLOT MAY BE SENT VIA MAIL, OVERNIGHT COURIER OR MESSENGER. ALL BALLOTS MUST BE SIGNED.

The Ballots have been specifically designed for the purpose of soliciting votes on the Plan from the Classes entitled to vote with respect thereto. Accordingly, in voting on the Plan, please use only the Ballots sent to you with the Disclosure Statement or provided by the Debtor's counsel.

The Debtor has fixed **4:00 p.m. (prevailing Eastern Time) on February 24, 2012** (the "Voting Record Date"), as the time and date for the determination of Persons who are entitled to receive a copy of the Disclosure Statement and all of the related materials and to vote whether to accept or reject the Plan. Accordingly, only Holders of record of Claims as of the Voting Record Date that are entitled to vote on the Plan, will receive a Ballot and may vote on the Plan.

All properly completed Ballots received prior to the Voting Deadline will be counted for purposes of determining whether a voting Class of impaired Claims has accepted the Plan. Counsel for the Debtor will prepare and file with the Bankruptcy Court a certification of the results of the balloting with respect to the Class entitled to vote.

THE DEBTOR AND THE CONSENTING LENDERS BELIEVE THAT CONFIRMATION OF THE PLAN IS IN THE BEST INTERESTS OF ALL HOLDERS OF CLAIMS AND RECOMMEND THAT ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

The Debtor's legal advisor is Olshan Grundman Frome Rosenzweig & Wolosky LLP. They can be contacted at:

Olshan Grundman Frome
Rosenzweig &Wolosky LLP
65 East 55th Street
New York, NY 10022
Attention: Michael S. Fox
Jordanna L. Nadritch

Section 1.04. Solicitation Process

The following documents and materials will constitute the Debtor's Solicitation Package:

- Plan;
- Disclosure Statement;

- Order conditionally approving the Disclosure Statement and related Solicitation Procedures ("Disclosure Statement Order");
- Notice of the hearing at which confirmation of the Plan will be considered ("Confirmation Hearing Notice");
- Appropriate ballot and voting instructions; and
- Pre-addressed, postage prepaid return envelope.

The Debtor intends to distribute the Solicitation Packages no fewer than twenty-eight (28) calendar days before the Voting Deadline or on such other schedule as is approved by the Bankruptcy Court. The Debtor submits that distribution of the Solicitation Packages at least twenty-eight (28) calendar days prior to the Voting Deadline or on such other schedule as is approved by the Bankruptcy Court will provide the requisite materials to Holders of Claims entitled to vote on the Plan in compliance with Bankruptcy Rules 3017(d) and 2002(b).

The Solicitation Package will be distributed to Holders of Claims in Classes 2, 3, and 4 as of the Voting Record Date and in accordance with the Solicitation Procedures. The Solicitation Package (except the Ballots) may also be obtained by writing (sent via first class mail) to Olshan Grundman Frome Rosenzweig & Wolosky LLP, 65 East 55th Street, New York, New York, 10022, Attention: Jordanna L. Nadritch.

Other parties entitled to receive the Solicitation Packages, including the IRS and other relevant taxing authorities, will be served paper copies of the order approving the Disclosure Statement, the Disclosure Statement and all exhibits to the Disclosure Statement, including the Plan, and the Confirmation Hearing Notice.

Section 1.05. The Debtor's Plan Support Agreement

Consistent with the terms of the Plan, and as described herein, through this Chapter 11 Case, the Debtor seeks to efficiently reduce the substantial debt burden that hinders its ability to effectively compete in a competitive market that has been challenged by overall economic conditions. A successful restructuring will allow the Debtor to concentrate its resources on generating revenue and expanding market share. To this end, the Debtor and its advisors negotiated prepetition with the Debtor's key creditor constituencies, the Consenting Lenders, to ensure that its business continues to operate as a going concern.

These negotiations were successful. The Plan Support Agreement, filed on the Petition Date, contemplated an expedited restructuring, to be consummated through the Plan, and provides that the Consenting Lenders will support the Plan subject to the conditions set forth therein. In short, the Plan Support Agreement enabled the Debtor to enter into chapter 11 with the confidence to ensure a quick and successful exit. The Debtor and the Consenting Lenders firmly believe that the Plan will maximize the value of the Debtor's Estate and will provide the best recovery to the Debtor's stakeholders.

To facilitate the restructuring and provide assurances to key constituents such as employees, customers and vendors that the Debtor's operations will continue uninterrupted, the Debtor developed key strategies to effectuate a smooth transition of its operations into chapter 11, including the following:

(a) developing and presenting a comprehensive request for the "first-day" relief requested in the First Day Motions, including relief targeted to ensure that employee obligations such as wages and benefits are honored and the Debtor's cash management system can continue unaffected;

(b) moving forward on an expedited basis with a pre-negotiated chapter 11 plan of reorganization, consistent with the terms of the Plan Support Agreement; and

(c) hiring and seeking to retain qualified and experienced professionals to assist the Debtor with its reorganization plan.

As set forth in section 14.02 of the Disclosure Statement, based on the discounted cash flow method, the Debtor has estimated the going concern value of the enterprise at approximately $45 million. This is higher than the going concern value of the enterprise estimated by certain of the Consenting Lenders and upon which the distributions set forth in the Plan Support Agreement are based.

Moreover, after further diligence, following the Petition Date, the Debtor's discovered that MVC, as agent and majority Holder of the Subordinated Lender Claims, had not filed a continuation statement with respect to its security interest in the Subordinated Lender Claims. As a result, the Holders of Subordinated Lender Claims would not be entitled to be treated as secured Creditors.

As a result of these recent developments, including that certain of the Consenting Lenders believe that the enterprise value is less than the amount estimated by the Debtor, the Debtor and all of the Consenting Lenders agreed to modify the Distribution scheme set forth in the Plan Support Agreement, in an effort to submit a Plan that would meet the requirements of section 1129 of the Bankruptcy Code, while providing similar recoveries to each individual Holder of Senior Lender First-Out Obligation Claims and Senior Lender Second-Out Obligation Claims as originally contemplated in the Plan Support Agreement.

Under the Plan Support Agreement, the Reorganized Debtor Common Units were to be distributed as follows: (i) Senior Lender First-Out Obligation Claims: 90%; (ii) Senior Lender Second-Out Obligation Claims: 6%; and (iii) Subordinated Lender Claims: 4%. Under the revised Distribution, the Plan provides that Holders of the Senior Lender First-Out Obligation Claims will be receiving an aggregate of 65% of the Reorganized Debtor Common Units (for an estimated recovery of 95.9%), Holders of the Senior Lender Second-Out Obligation Claims will be receiving their pro rata share of 35% of the Reorganized Debtor Common Units (for an estimated recovery of 89.7%), and the Holders of the Subordinated Lender Claims shall not receive a recovery on account of such Claims. Both the Senior Lender First-Out Obligation Claims and the Senior Lender Second-Out Obligation Claims will be Impaired under the Plan.

Due to the Debtor's estimate of value (which is greater than the value estimated by certain of the Consenting Lenders), the percentage of Reorganized Debtor Common Units distributable to Holders of Senior Lender First-Out Obligation Claims decreased from 90% to 65%. In an effort to provide the Holders of Senior Lender First-Out Obligation Claims with a similar amount of the Reorganized Debtor Common Units as negotiated and provided for in the Plan Support Agreement, ~~one Holder~~two Holders of the Senior Lender Second-Out Obligation Claims, Orpheus Holdings LLC and Orpheus Holdings LTD, which under the revised Distribution would have received a much higher Distribution on account of such Claims than agreed to under the Plan Support Agreement ~~(30.3% versus 5.2%) has~~have agreed to the Orpheus Holdings Redistribution.[5] Under the Orpheus Holdings Redistribution, an amount equal to ~~21.5~~15.1% of the Reorganized Debtor Common Units that Orpheus Holdings LLC and Orpheus Holdings LTD would have received on account of ~~its~~their Senior Lender Second-Out Obligation ~~Claim~~Claims shall instead be distributed pro rata to Holders of Senior Lender First-Out Obligation Claims other than to Orpheus Holdings LLC, Orpheus Holdings LTD and MVC.[~~5~~6] Although the total Distribution that the Holders of Senior Lender First-Out Obligation Claims (other than Orpheus Holdings LLC, Orpheus Holdings LTD and MVC) will be receiving if one includes the Orpheus Holdings Redistribution will be greater than 100% of the value of their Claims, the total amount being distributed to Holders of secured Claims (Senior Lender First-Out Obligation Claims and Senior Lender Second-Out Obligation Claims) is not greater than 100%. Moreover, the Consenting Lenders do not agree with the Debtor's valuation and do not believe that the Holders of Senior Lender First-Out Obligation Claims are receiving a value greater than 100% of their Claims even including the Orpheus Holdings Redistribution.

MVC and the other Holders of the Subordinated Lender Claims will no longer be entitled to a recovery on account of such Claims. However, MVC is a Holder of both Senior Lender First-Out Obligation Claims and Senior Lender Second-Out Obligation Claims, and as a result of the revised Distribution scheme promulgated by the Debtor (and in particular, the increase in the Distribution to Holders of Senior Lender Second-Out Obligation Claims from 6% to 35%), MVC will receive approximately the same Distribution as it would have received under the terms of the Plan Support Agreement (9.4% now versus 10.2% under the Plan Support Agreement).

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[5] The mechanics of the Orpheus Holdings Redistribution are slightly different than those reflected in the original Plan due to the fact that (i) Orpheus Funding LLC and not Orpheus Holdings LLC was the non-MVC Holder of Senior Lender Second-Out Obligation Claims as of the Petition Date, and (ii) on February 23, 2012, Orpheus Funding LLC transferred all of its Senior Lender First-Out Obligation Claims and Senior Lender Second-Out Obligation Claims to Orpheus Holdings LLC and Orpheus Holdings Limited. Although the amount of the Orpheus Holdings Redistribution appears different from that set forth the original Plan, this is only because in both cases, the amounts net out distributions between entities that would otherwise have been both transferees and transferors under the Orpheus Holdings Redistribution (i.e., Orpheus Holdings LLC as holder of Senior Lender Second-Out Obligation Claims does not have to make a transfer to Orpheus Holdings LLC as holder of Senior Lender First-Out Obligation Claims). The changed amounts have no impact on any entity that is not a fund managed by an affiliate of Guggenheim (i.e. MVC and CapitalSource Financing LLC). As was the case before, all redistributions within the Orpheus Holdings Redistribution are being made from funds managed by an affiliate of Guggenheim and all such redistributions are being made to funds managed by an affiliate of Guggenheim, except that CapitalSource Financing LLC is also a beneficiary.

[~~5~~6] Orpheus Holdings LLC, Orpheus Holdings LTD, and each of the Holders of the Senior Lender First-Out Obligation Claims that are receiving the Orpheus Holdings Redistribution, other than CapitalSource Financing LLC, are funds managed by an affiliate of Guggenheim.

Importantly, under the Debtor's valuation (as well as under the affected Consenting Lenders' lower views of value), there is insufficient value to provide a recovery to any unsecured Creditors. The adjustments above affect only secured Creditors, based upon their own good faith views as to the Debtor's actual value.

Section 1.06. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan.

The Confirmation Hearing will commence on April 24, 2012 at 10:00 a.m., prevailing Eastern Time, before The Honorable Shelley C. Chapman, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of New York. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

The Plan Objection Deadline is 4:00 p.m. prevailing Eastern Time on April 12, 2012. All objections to the Plan must be filed with the Bankruptcy Court and served on the Debtor and certain other parties in accordance with the Disclosure Statement Order on or before the Plan Objection Deadline. In accordance with the Confirmation Hearing Notice filed with the Bankruptcy Court, objections to the Plan or requests for modifications to the Plan, if any, must:

- Be in writing;
- Conform to the Bankruptcy Rules and the Local Bankruptcy Rules;
- State the name and address of the objecting Creditor and the amount and nature of the Claim or Interest of such Creditor;
- State with particularity the basis and nature of the objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and
- Be filed, contemporaneously with proof of service, with the Bankruptcy Court and served so that it is **actually received** by the notice parties identified in the Confirmation Hearing Notice on or prior to the Plan Objection Deadline.

THE BANKRUPTCY COURT MAY NOT CONSIDER OBJECTIONS TO THE PLAN UNLESS THEY ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE PROCEDURES SET FORTH IN THE DISCLOSURE STATEMENT ORDER.

Section 1.07. Important Matters

The Disclosure Statement contains projected financial information and certain other forward-looking statements, all of which are based on various estimates and assumptions and will not be updated to reflect events occurring after the date hereof. Such information and statements are subject to inherent uncertainties and to a wide variety of significant business, economic and competitive risks, including, among others, those described herein. Consequently, actual events, circumstances, effects and results may vary significantly from those included in or contemplated by such projected financial information and such other forward-looking statements. The projected financial information contained herein and in the Exhibits annexed hereto is, therefore, not necessarily indicative of the future financial condition or results of operations of the Debtor, which in each case may vary significantly from those set forth in such projected financial information. Consequently, the projected financial information and other forward-looking statements contained herein should not be regarded as representations by any of the Debtor, the Reorganized Debtor, its advisors, or any other Person that the projected financial conditions or results of operations can or will be achieved.

ARTICLE II

BACKGROUND TO THIS CHAPTER 11 CASE

Section 2.01. The Debtor's Business

1. The Debtor's Operations

On December 12, 2011, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the stated intent of restructuring the Debtor and its outstanding indebtedness.

The Debtor is wholly owned by BP Clothing Holdings LLC.

The Debtor engages in the sale of apparel directly to major retailers, as well as to specialty stores throughout the United States and internationally pursuant to various Licenses (as defined below) and trademarks. The Debtor also offers product through the internet site www.babyphat.com. However, in recent years, due to a downturn in the economy and weakened consumer spending, the Debtor has been forced to terminate certain of the Licenses, as described in greater detail below. The Debtor's business now primarily consists of selling inventory directly to Walmart under the Susie Rose trademark.

Accordingly, through this Chapter 11 Case, the Debtor seeks to efficiently reduce the substantial debt burden that hinders its ability to effectively compete in a competitive market that has been challenged by overall economic conditions. A successful restructuring will allow the Debtor to concentrate its resources on generating revenue and expanding market share. To this end, the Debtor and its advisors have been negotiating with the Debtor's key creditor constituencies to ensure its business continues to operate as a going concern.

These arms-length negotiations have been successful, and have culminated in the Plan Support Agreement, as discussed above. The Debtor and the Consenting Lenders firmly believe that the Plan will maximize the value of the Debtor's Estate and will provide the best recovery to the Debtor's stakeholders.

2. Employees

As of the Petition Date, the Debtor employed 42 people. In addition, the Debtor employed 8 independent contractors, and 1 independent sales representative. None of the employees are represented by a collective bargaining unit.

3. Officers

As of the date hereof, the Debtor has two individuals comprising the Debtor's senior management. These individuals are (i) Steven Feiner, Chief Executive Officer and President, and (ii) Kevin Weber, Executive Vice President, Chief Financial Officer.

4. Corporate Structure

The organizational chart, attached hereto as Exhibit B, provides a general overview of the corporate structure of the Debtor and its affiliates.

Section 2.02. Summary of Prepetition Indebtedness

The Debtor is highly leveraged, with a total of approximately $90.7 million in prepetition financial debt, as of the Petition Date, as more fully described below:

1. The Factoring Agreements.

On February 22, 2006, BP entered into the following Factoring Agreements with FCC, LLC ("FCC") and FCC Factor Subsidiary II, LLC ("Factor Sub", and together with FCC, the "Factor Lenders"): (i) the Amended and Restated Factoring and Inventory Advances and Security Agreement, dated as of February 22, 2006 (as such agreement may be amended, restated, supplemented, or otherwise modified from time to time, the "A&R Factoring Agreement"), with FFC (ii) the Loan and Security Agreement – Factor Sub Accounts, dated as of February 22, 2006 with FCC (as such agreement may be amended, restated, supplemented or otherwise modified from time to time, the "FCC Factor Sub Accounts Agreement") and (iii) the Factoring and Security Agreement – Factor Sub Accounts, dated as of February 22, 2006, with Factor Sub (as such agreement may be amended, restated, supplemented, or otherwise modified from time to time, the "Factor Sub Agreement", and together with the A&R Factoring Agreement and the FCC Factor Sub Accounts Agreement, the "Factoring Agreements"). The Factor Lenders have a first priority lien, senior to the Guggenheim Lien (as defined below) and the MVC Lien (as defined below), on the following assets of BP: accounts; inventory; general intangibles, chattel paper, instruments, documents, letters of credit and letter of credit rights and supporting obligations related to accounts and inventory; payment intangibles (other than tax refunds relating to real property, fixtures or equipment); all indebtedness of BP or its subsidiaries arising from cash advances to enable the respective obligor to acquire inventory; all collection accounts, deposit accounts, and commodity accounts and any cash or other assets in any such accounts (other than cash proceeds in respect of

real estate, fixtures, or equipment); all books and records related to the foregoing; the Reserve (as such term is defined in the A&R Factoring Agreement and the FCC Factor Sub Accounts Agreement, as applicable); and all proceeds of any of the foregoing (collectively, the "Factor Priority Collateral").

Pursuant to the Factoring Agreements the maximum obligations of BP thereunder at any time may be no greater than $15.5 million or 90% of accounts receivables. As of November 30, 2011, the principal amount outstanding under the FCC Facility was $3,708,448.

100% of the Debtor's wholesale receivables are purchased by Factor Sub. The obligations of Factor Sub to pay BP for such receivables and the right to collect such receivables are assigned to FCC as collateral for advances by FCC to the Debtor. BP's customers remit payments in respect of the receivables directly to FCC. FCC in essence acts as a borrowing facility for the Debtor with availability based on the outstanding purchased receivables. FCC deposits advances into the Debtor's "Main Operating Account". The Debtor then uses these funds in its day to day operations. In addition, funds deposited by FCC into the Main Operating Account are also used to fund intercompany transactions with the Debtor's non-debtor affiliates.

As discussed in section 4.02 below, post-petition, the parties received authorization from the Bankruptcy Court to consolidate the rights and obligations under the Factoring Agreements into the DIP Credit Agreement, in order to provide for debtor-in-possession financing for the Debtor. The DIP Credit Agreement replaced and superseded the Factoring Agreements.

2. The Factoring Intercreditor Agreement.

On July 18, 2006, BP, the Factor Lenders, Guggenheim and MVC entered into a Factoring Intercreditor Agreement (the "Factoring Intercreditor Agreement") which provided that until BP repaid all amounts due by it to the Factor Lenders (the "FCC Loans"), the liens of the Factor Priority Collateral would be senior to the liens of the lenders over such Collateral under the Guggenheim Credit Agreement and the MVC Credit Agreement.

3. The Guggenheim Credit Facility.

On July 18, 2006, BP entered into a Credit Agreement (the "Guggenheim Credit Agreement") with among others, Guggenheim, as administrative agent for the lenders thereunder. The Guggenheim Credit Agreement provided for the $65,000,000 in loans thereunder (the "July 2006 Guggenheim Loan") to be provided by a Tranche A and a Tranche B financing. The Tranche A Term Loan was to amortize over 20 consecutive quarterly installments, with the final payment due on July 18, 2011, the maturity date. The Tranche B Term Loan matured on July 18, 2011. As of the Petition Date, the Tranche A Term Loan had $27,125,000 in principal and $3,376,908.66 in interest outstanding and the Tranche B Term Loan had $15,000,000 in principal and $2,551,223.92 in interest outstanding. The Tranche A Term Loan comprises the First-Out Obligations, and is to be paid in advance of the Tranche B Term Loan, which comprises the Second-Out Obligations.

On July 18, 2006, BP, along with Holdings, certain subsidiaries of Holdings, and Guggenheim, entered into a Guarantee and Collateral Agreement (the "Guggenheim Guarantee

and Collateral Agreement"). Pursuant to the Guggenheim Guarantee and Collateral Agreement, BP, Holdings and certain subsidiaries of Holdings granted to Guggenheim, for its benefit and the benefit of the lenders under the Guggenheim Credit Agreement, a security interest in substantially all of the assets of BP, Holdings and certain subsidiaries of Holdings (the "All Assets Collateral"). Guggenheim and the lenders under the Guggenheim Credit Agreement have a lien on the All Assets Collateral (the "Guggenheim Lien"). Guggenheim and the lenders under the Guggenheim Credit Agreement have a first priority lien on all of the All Assets Collateral that does not constitute Factor Priority Collateral. Guggenheim and the lenders under the Guggenheim Credit Agreement have a second priority lien over the Factor Priority Collateral.

4. The MVC Credit Facility.

Also on July 18, 2006, BP entered into a Credit Agreement (the "MVC Credit Agreement") with amongst others, MVC, as administrative agent for the lenders thereunder. The MVC Credit Agreement provided for a $10,000,000 loan thereunder (the "July 2006 MVC Loan") which matures on July 18, 2012. As of the Petition Date, there was $11,781,586 in principal outstanding (including a PIK interest) under the original MVC Credit Agreement. Amendments to the MVC Credit Agreement are discussed below. The July 2006 MVC Loan was subordinated to the July 2006 Guggenheim Loan. On July 18, 2006, BP, along with Holdings, certain subsidiaries of Holdings, and MVC, entered into a Guarantee and Collateral Agreement ("MVC Guarantee and Collateral Agreement"). Pursuant to the MVC Guarantee and Collateral Agreement, a security interest was granted in the All Assets Collateral. MVC and the lenders under the MVC Credit Agreement have a lien on the All Assets Collateral (the "MVC Lien"). The MVC Lien is subordinated to the Guggenheim Lien with respect to the All Assets Collateral and the MVC Lien is subordinated to the lien of the Factor Lenders with respect to the All Assets Collateral that constitutes Factor Priority Collateral.

5. Amendments to the Guggenheim and MVC Credit Facilities.

On DATE, 2007, BP, Guggenheim and MVC amended each of the Guggenheim Credit Agreement and the MVC Credit Agreement (the "Amended Credit Facilities") to provide, in relevant part, for a second tranche of financing under the MVC Credit Facility in the amount of $10,000,000 (the "MVC Second Tranche Financing") and a third tranche of financing under the MVC Credit Facility in the amount of $5,000,000 (the "MVC Third Tranche Financing").

Pursuant to the Amended Credit Facilities, on DATE, 2007, BP received $5,000,000 from MVC and $5,000,000 from Orpheus Holdings LLC ("Orpheus"), an affiliate of Guggenheim, which facilities are set to mature on July 18, 2012. As of the Petition Date, the principal amount outstanding (including PIK interest) under the MVC Second Tranche Financing to MVC was approximately $5,820,261, and the principal amount outstanding (including PIK interest) to Orpheus was approximately $5,820,261. The MVC Second Tranche Financing is subordinated to the July 2006 Guggenheim Facility.

Also pursuant to the Amended Credit Facilities, on May 4, 2007, BP received $2,500,000 from MVC and $2,500,000 from Orpheus, which are set to mature on July 18, 2012. As of the Petition Date, the principal amount outstanding (including PIK interest) under the MVC Third Tranche Financing to MVC was approximately $2,898,522, and the principal amount outstanding

(including PIK interest) to Orpheus was approximately $2,898,522. The MVC Third Tranche Financing is subordinated to the July 2006 Guggenheim Facility. Thus, as of the Petition Date, approximately $29,219.152 in principal and approximately $5,887,799.96 in interest is owed on account of the MVC Credit Agreement and the Amended Credit Facilities.

Subsequently, on May 21, 2008, June 17, 2009, and June 9, 2010, BP entered into a series of Waiver and Amendment Agreements to each of the Guggenheim Credit Agreement and the MVC Credit Agreement. Each of the Amendment and Waivers, in pertinent part, waived certain defaults and amended certain negative covenants and financial covenants and prepayment provisions.

The MVC Lien expired in July, 2011, and MVC failed to file a continuation statement to enforce its security interest.

6. The Oaktree Facility.

On June 17, 2009, BP received $5,874,000 from OCM/BP Holdings III, Inc. ("Holdings III") and $126,000 from OCM/BP Holdings IIIA, Inc. ("Holdings IIIA"), both as evidenced by Subordinated Promissory Notes, which are set to mature on June 16, 2014 (collectively, the "Oaktree Facility"). As of the Petition Date, the amount outstanding (including PIK interest) under the Oaktree Facility was $6,837,960, in the aggregate. The Oaktree Facility is subordinated to each of the Factor Loans, the July 2006 Guggenheim Loan, and the July 2006 MVC Loan (including the MVC Second Tranche Loan, the Guggenheim Second Tranche Loan, the MVC Third Tranche Loan and the Guggenheim Third Tranche Loan).

7. Unsecured Debt: Trade Creditors.

The Debtor estimates that it owes its other general unsecured creditors approximately $684,000.00, on account of trade debt.[67]

Section 2.03. The Debtor's Existing Equity Structure

The Debtor's common stock is 100% held by the Debtor's parent, Holdings. Holdings is held 1.35% by Holdings IIIA, 62.69% by Holdings III, and 35.96% by SFKM Holdings LLC.

Section 2.04. Licenses and Trademarks

On December 18, 2003, the Debtor purchased from Adamson Apparel, Inc. and BP Clothing Company, Inc. (collectively the "Seller Parties"), the Seller Parties' business (the "Asset Sale"), which consisted of the manufacture, distribution and/or sale of a line of clothing related accessories to such line of clothing pursuant to a License Agreement by and between Phat Fashions LLC and BP Clothing Company, Inc. In connection with the Asset Sale, BP entered into a Trademark License Agreement, effective December 18, 2003, with Phat Fashions LLC (the "Licensor") with respect to the BABY PHAT License (the "BP License").

[67] This number does not include any Claims arising out of the rejection of an Executory Contract or unexpired lease. However, Claims arising out of the rejection of an Executory Contract or unexpired lease shall be treated as General Unsecured Claims as provided for in section 9.05 of the Plan.

In January 2008, BP acquired the rights to sell to JC Penney an exclusive line under the "Fabulosity" brand name. This product line was subsequently discontinued, and was terminated in the second quarter of 2010, a significant factor in the Debtor's overall decline.

In addition, pursuant to a Trademark License Agreement, dated June 17, 2009, between the Licensor and the Debtor, the Debtor acquired the license to sell Baby Phat in Walmart stores (the "Walmart License", together with the BP License, the "Licenses").

The Debtor's financial position significantly deteriorated over 2010, and by the end of 2010, the Debtor was not in a financial position to continue to finance the business and also pay the contractual minimum royalties and advertising due to the Licensor under the Licenses. The minimum royalties due and owing far exceeded the amounts that were required to be paid to the Licensor based on net sales. In early 2011, the Debtor engaged in discussions with the Licensor with respect to brand transition, and offered the Licensor an orderly and seamless transition of the Baby Phat trademark and related business in an attempt to preserve value and minimize disruption to the brand. Discussions ensued between the Debtor and the Licensor regarding potential terms of a transition of the licenses and brand. By letter dated January 26, 2011, the Licensor served the Debtor with a notice of termination of both the BP License and the Walmart License.

The Debtor continued discussions and negotiations with respect to a transition of the Baby Phat trademark and business, and on February 4, 2011, the Debtor entered into a letter agreement with the Licensor, pursuant to which the Debtor agreed to the wind-up and transition of the terminated Licenses, subject to a "Transition Period." As part of the transition, until recently, the Debtor sold Baby Phat inventory through a website facilitated by eFashion Solutions, LLC ("eFashion") (as discussed in greater detail in section 4.02(9) *infra*). The loss of the Licenses has been extremely detrimental to the Debtor's go forward businesses.

Currently, the Debtor's main asset is its Susie Rose trademark. Under the Susie Rose label, the Debtor manufactures apparel and other merchandise, which it sells to directly to Walmart. The sale of Susie Rose inventory comprises the bulk of the Debtor's ongoing business. In addition, the Debtor also has granted a license to a third party, SME Consolidated, to manufacture and sell bags under the Susie Rose trademark. The Debtor receives royalties in the aggregate of 5% on net sales under this license agreement.

Section 2.05. Recent Financial Results.

As noted above, the Debtor has seen a substantial decline in its financial condition by all metrics over the last three years.

For the fiscal year ended 2010, the Debtor's consolidated financial statements showed gross revenues from operations of approximately $89,067,478, compared with $101,231,102 for the fiscal year ended 2009, and $132,796,941 for the fiscal year ended 2008.

Net sales from operations were $81,967,513, $94,871,500 and $123,407,595 for the fiscal years ended 2010, 2009, and 2008 respectively. Net sales from operations decreased by 14%, or $12,903,987 for the fiscal year ended 2010 compared to the fiscal year ended 2009 and decreased by 23% or $28,536,095 for the fiscal year ended 2009 compared to the fiscal year ended 2008.

The two year decrease from the fiscal year ended 2008 from the fiscal year ended 2010 was 34% or $41,440,082. The decrease in net sales is attributable to a decline in overall demand within the retail industry sector due to an overall weak U.S. economy, depressed retail and wholesale prices and increased production costs due primarily to the sharp rise in cotton prices worldwide.

Gross profit from net sales was $25,064,721, $35,815,312 and $53,187,629 for the fiscal years ended 2010, 2009 and 2008 respectively, a decrease of approximately 53% from fiscal year ended 2008 compared to fiscal year ended 2010.

ARTICLE III

EVENTS LEADING TO THIS CHAPTER 11 CASE

Section 3.01. Prepetition Events

The retail apparel industry has been historically cyclical, fluctuating with general economic cycles and uncertainty in future economic prospects. During economic downturns, the retail apparel industry tends to experience longer periods of recession and greater declines than the general economy. The slowdown in the U.S. economy and other national, regional or global economic conditions affecting disposable consumer income, such as employment levels, inflation, business conditions, fuel and energy costs, consumer debt levels, lack of available consumer or commercial credit, uncertainty in future economic prospects, interest rates, and tax rates, adversely affects the Debtor's business by reducing overall consumer spending or by causing customers to shift their spending to products other than those sold by the Debtor.

The current market difficulties facing the retail industry have been widely recognized. For example, the U.S. Census Bureau's retail trade figures show combined men's and women's retail clothing store sales fell by more than 15%, from $49.3 billion in 2007 to approximately $44.7 billion in 2010.[78]

In addition, an increase in the price of cotton resulting from weather conditions stymieing the plant's growth, as well as an increase in the demand for cotton in production, has negatively affected many clothing manufacturers, including the Debtor.

The retail apparel business is highly competitive, and the Debtor was forced to terminate the BP License, as well as the Walmart License, as discussed above. This has resulted in a significant decrease in the Debtor's overall sales. Moreover, the loss of the "Fabulosity" trademark at JC Penney was another significant factor in the Debtor's overall decline.

In addition to the above, prior to the Petition Date, the Debtor leased property located at 8700 Rex Road, Pico Rivera, California (the "Property"). Majestic/AMB Pico Rivera Associates, LLC is the landlord for the Property (the "Landlord"). Due to the Debtor's reduced operations, as discussed herein, the Debtor no longer utilized a majority of the Property's 111,384 square feet of warehouse space. Moreover, the cost of maintaining the Property was prohibitively expensive for

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[78] *See* U.S. Census Bureau, August 2010 Monthly Retail Trade and Food Services Report, http://www.census.gov/retail/ (follow "Retail and Food Services Sales: Excel (1992-present)" hyperlink).

the Debtor given the nature of its business -- rental payments pursuant to the terms of the lease (the "Lease") provided for monthly base rent of approximately $65,000, plus additional CAM and taxes. For these reasons, the Debtor engaged the Landlord in prepetition negotiations in an effort to modify the Lease terms and/or consensually terminate the Lease. The Debtor and the Landlord were unable to reach an agreement and, during this time, the Landlord filed an action against the Debtor seeking to regain possession of the Property. As a result, on November 28, 2011, the Debtor provided the Landlord with notice that the Debtor would be surrendering the Property to the Landlord, and that upon filing for chapter 11, the Debtor would file a motion seeking to have the Lease deemed rejected as of the date of surrender. Accordingly, as per the notice to the Landlord, on November 29, 2011, the Debtor surrendered the Property to the Landlord, and the Landlord accepted such surrender. On December 15, 2011, the Bankruptcy Court entered an order rejecting of the Property's underlying lease *nunc pro tunc* to the Petition Date.

The Debtor believes that the escalating factors described above have negatively affected its business, resulting in the filing of this chapter 11 case.

At, or prior to the date of surrender of the Property, the Debtor entered into a new lease for property located at 3424 Garfield Avenue, Commerce, California - a smaller location consisting of approximately 13,000 square feet of space, and therefore more suitable for the Debtor's current business operations. In addition, the Debtor is utilizing a public warehousing facility, Unique Finishing and Distribution, Inc., to serve the warehousing needs of its go forward business.

Section 3.02. Prepetition Restructuring Initiatives

Prior to the Petition Date, the Debtor implemented cost cutting initiatives, which focused on streamlining its operations, including, among other things, terminating certain of its Licenses, as discussed above.

In addition, the Debtor explored numerous out of court restructuring alternatives. In determining that a structured reorganization would be a viable alternative, the Debtor engaged in arms' length negotiations with the Consenting Lenders and explored the possibility of having certain of the Consenting Lenders convert their prepetition debt into equity. Negotiations with the Consenting Lenders took place over the course of several weeks prior to the Petition Date and culminated in the execution of the Plan Support Agreement. The Plan Support Agreement was intended to provide a financial and legal framework for completing the restructuring.

Section 3.03. Events Leading to the Formulation of the Plan

As discussed above, prior to the Petition Date, the Debtor and the Consenting Lenders entered into the Plan Support Agreement on December 8, 2011. Pursuant to the terms of the Plan Support Agreement, and subject to the conditions therein, the Consenting Lenders agreed, subject to certain conditions, including the receipt of a court-approved disclosure statement among other things, to support the restructuring and, to the extent applicable, to vote to accept a plan of reorganization consistent with the terms of the term sheet that is appended to the Plan Support Agreement.

If consummated, the restructuring transactions contemplated in the Plan will substantially de-lever the Debtor and provide cost savings, operational efficiency and additional needed liquidity.

ARTICLE IV

ADMINISTRATION OF THE CHAPTER 11 CASE

Section 4.01. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the Commencement Date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order approving confirmation of a plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes the obligations specified under the confirmed plan.

In general, a chapter 11 plan of reorganization (a) divides claims and equity interests into separate classes, (b) specifies the property, if any, that each class is to receive under the plan, and (c) contains other provisions necessary to the reorganization of the debtor and that are required or permitted by the Bankruptcy Code.

Pursuant to section 1125 of the Bankruptcy Code, acceptance or rejection of a plan may not be solicited after the commencement of the Chapter 11 Case until such time as the court has approved the Disclosure Statement as containing adequate information. Pursuant to section 1125(a) of the Bankruptcy Code, "adequate information" is information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan. To satisfy applicable disclosure requirements, the Debtor submits the Disclosure Statement to holders of Claims that are impaired and not deemed to have rejected the Plan.

Section 4.02. Relevant Case Background

On December 12, 2011, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Honorable Shelley C. Chapman is presiding over the Chapter 11 Case.

The Debtor continues to operate its business and manage its properties as Debtor and Debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. As of the date hereof, no request has been made for the appointment of a trustee or examiner in these cases, and no official committee of creditors has been appointed.

The following is a brief description of certain significant events that have occurred during the pendency of the Chapter 11 Case.

1. Retention of Professionals.

To assist in carrying out its duties as a debtor in possession, and to otherwise represent its interests in the Chapter 11 Case, the Debtor, on December 20, 2011, filed with the Bankruptcy Court an application seeking entry of orders authorizing the Debtor to retain Olshan Grundman Frome Rosenzweig & Wolosky LLP as its counsel (Docket No. 30).). On January 5, 2012, the Bankruptcy Court entered an order (Docket No. 38) approving the application.

In accordance with Bankruptcy Rule 1007(b), the Debtor disclosed the compensation received by certain of the Professionals within the year prior to the Petition Date on the Debtor's Statement of Financial Affairs (Docket No. 32).

2. Employment Obligations.

The Debtor believes it has a valuable asset in its workforce, and that the efforts of the Debtor's employees are critical to a successful reorganization. On December 12, 2011, the Debtor filed with the Bankruptcy Court a motion for interim and final orders authorizing the Debtor to pay certain prepetition employee wage and benefit obligations (Docket No. 3). On December 15, 2011, the Bankruptcy Court entered an interim order (Docket No. 20) approving the motion on an interim basis, and on January 5, 2012, the Bankruptcy court entered a final order (Docket No. 39) approving the motion on a final basis.

3. Utilities.

On December 12, 2011, the Debtor filed with the Bankruptcy Court a motion for an order: (i) prohibiting utilities from altering or discontinuing services; (ii) establishing procedures for providing deposits to requesting utilities; (iii) deeming utility companies to have adequate assurance of payment; and (iv) establishing procedures for resolving requests for additional assurance of payment (Docket No. 4). On December 15, 2011, the Bankruptcy Court entered an order (Docket No. 19) approving the motion.

4. Cash Management

The Debtor believes it would be disruptive to its operations if it was forced to change significantly its cash management system upon the commencement of the Chapter 11 Case. Accordingly, on December 12, 2011, the Debtor filed with the Bankruptcy Court a motion seeking entry of interim and final orders authorizing the Debtor to maintain its current cash management system (Docket No. 8). On December 15, 2011, the Bankruptcy Court entered an interim order (Docket No. 21) approving the motion, and on January 5, 2012, the Bankruptcy court entered a final order (Docket No. 43) approving the motion on a final basis.

5. Lease Rejection Motion

As discussed in greater detail in section 3.01 above, prior to the Petition Date, the Debtor leased the Property. Due to the Debtor's reduced operations, and the prohibitively expensive costs of maintaining the Property, on November 28, 2011, the Debtor provided the Landlord with notice that the Debtor would be surrendering the Property to the Landlord, and that upon filing for chapter 11, the Debtor would file a motion seeking to have the Lease deemed rejected as of the date of surrender. Accordingly, as per the notice to the Landlord, on November 29, 2011, the Debtor surrendered the Property to the Landlord, and the Landlord accepted such surrender.

On December 12, 2011, the Debtor filed with the Bankruptcy Court a motion for an order approving rejection of the Property's underlying lease *nunc pro tunc* to the Petition Date (Docket No. 9). On December 15, 2011, the Bankruptcy Court entered an order (Docket No. 22) approving the motion.

6. Schedules and Statements

On December 23, 2011, the Debtor filed with the Bankruptcy Court the Schedules and Statement of Financial Affairs (collectively, the "Schedules").

7. Section 341 Meeting

A meeting of creditors pursuant to section 341(a) of the Bankruptcy Code was held on January 31, 2012 at 3:00 p.m. Eastern Time.

8. Post-petition Financing

On December 13, 2011, the Debtor filed the *Motion For Entry Of An Order (A) Authorizing Post-Petition Superpriority Secured Financing Pursuant To 11 U.S.C. §§ 105(a), 361 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) And 364(e), (B) Authorizing Use Of Cash Collateral, (C) Granting Adequate Protection, (D) Modifying The Automatic Stay, And (E) Scheduling A Final Hearing* (the "DIP Motion") (docket no. 12). By the DIP Motion, the Debtor sought entry of interim and final orders granting the following relief:

a. authorizing the Debtor to enter into a post-petition Factoring and Security Agreement among the Debtor and certain of its affiliates on the one hand, and the Factor Lenders on the other hand, providing for, among other things, the purchase and sale of the Debtor's eligible accounts, and the making of post-petition advances secured by a senior, priming lien on the Factor Priority Collateral (as defined in the DIP Motion) in accordance with section 364(c)(2) and 364(d) and junior lien on the Prepetition Collateral (as defined in the DIP Motion) pursuant to section 364(c)(3) of the Bankruptcy Code and subject to a superpriority administrative expense claim pursuant to section 364(c)(1) of the Bankruptcy Code senior to all other superpriority administrative expense claims;

b. authorizing the Debtor's use of "cash collateral," as such term is defined in section 363(a) of the Bankruptcy Code, of the Factor Lenders and the Senior Lenders;

c. granting Adequate Protection Liens, Adequate Protection Superpriority Claims, and Adequate Protection Payments (each as defined in the DIP Motion) as adequate protection for the use of the Factor Lenders and the Senior Lenders' Cash Collateral and the use of the Factor Lenders and the Senior Lenders' Prepetition Collateral;

d. vacating and modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the Interim Order; and

e. scheduling a final hearing (the "Final Hearing") to consider the relief requested in the DIP Motion and the entry of a Final Order, and approving the form of notice with respect to the Final Hearing.

On December 15, 2011, the Bankruptcy Court entered an order approving the relief requested in the DIP Motion on an interim basis (Docket no. 23), and on January 5, 2012, the Bankruptcy court entered a final order (Docket No. 44) approving the motion on a final basis.

9. The Adversary Proceeding Against eFashion

On February 16, 2012, the Debtor commenced an adversary proceeding against eFashion. Pursuant to an operating agreement (the "Operating Agreement"), eFashion facilitated the sale of the Debtor's merchandise through the Internet via the website www.babyphat.com (the "Website").

In accordance with the Operating Agreement, the Debtor would supply eFashion with its trademarked inventory for the purpose of fulfilling customer orders placed on the Website, and eFashion was required to provide the technology and services necessary to operate the Website and sell the merchandise in accordance with the terms of the Operating Agreement. All proceeds from the sale of the Debtor's merchandise through the Website would be collected and processed by eFashion and held in trust for the exclusive benefit of the Debtor.

While eFashion continued to sell the Debtor's merchandise via the Website during the period from July 3, 2011 through and including January 31, 2012 (the "Default Period"), eFashion failed to make payments to the Debtor as required by the Operating Agreement during this time. Therefore, eFashion defaulted on its obligations to the Debtor. eFashion remains in possession of $362,760.77 of the Debtor's funds, which amounts are owed to the Debtor on account of sales made pursuant to the Operating Agreement prior to and during the Default Period.

In accordance with Bankruptcy Code §542, the Debtor has made repeated demands on eFashion to turnover the $362,760.77, which amounts are due and owing to the Debtor, and which are property of the Debtor's estate pursuant to Bankruptcy Code §541. To date, despite due and timely demand, Defendant has not turned over these funds.

Accordingly, the Debtor has commenced an action against eFashion seeking turnover of the $362,760.77 which is owed. Any recovery of these amounts will fund the Debtor's go forward day to day operations.

Section 4.03. No Distributions to Equity Interests.

No Plan Distributions shall be made on account of any Interests in the Debtor regardless of whether such Interests are held by a Person which is not a Debtor.

ARTICLE V

SUMMARY OF THE PLAN

Section 5.01. Summary

THE FOLLOWING IS A SUMMARY OF SOME OF THE SIGNIFICANT ELEMENTS OF THE PLAN. THE DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE MORE DETAILED INFORMATION SET FORTH IN THE PLAN AND THE EXHIBITS AND SCHEDULES THERETO.

The Plan classifies Claims and Interests separately in accordance with the Bankruptcy Code and provides different treatment for different Classes of Claims and Interests. Claims and Interests shall be included in a particular Class only to the extent such Claims or Interests qualify for inclusion within such Class. The Plan separates the various Claims (other than those that do not need to be classified) into eight separate Classes. These Classes take into account the differing nature and priority of Claims against, and Interests in, the Debtor. Unless otherwise indicated, the characteristics and amounts of the Claims or Interests in the following Classes are based on the books and records of the Debtor.

The Plan is intended to enable the Debtor to continue its present operations without the likelihood of a subsequent liquidation or the need for further financial reorganization. The Debtor believes that it will be able to perform all of its obligations under the Plan and meet its expenses after the Effective Date without further financial reorganization. Also, the Debtor believes that the Plan permits fair and equitable recoveries, while expediting the reorganization of the Debtor.

The Confirmation Date will be the date that the Confirmation Order is entered by the Clerk of the Bankruptcy Court. The Effective Date will be the first Business Day on or after the Confirmation Date on which all of the conditions to the Effective Date specified in Section 13.04 herein have been satisfied or waived and the parties have consummated the transactions contemplated by the Plan.

The Debtor anticipates that the Effective Date will occur in ~~March~~May, 2012. Resolution of any challenges to the Plan may take time and, therefore, the actual Effective Date cannot be predicted with certainty.

Other than as specifically provided in the Plan, the treatment under the Plan of each Claim and Interest will be in full satisfaction, settlement, release and discharge of all Claims or Interests. The Reorganized Debtor will make all payments and other distributions to be made under the Plan unless otherwise specified.

All Claims and Interests, except Administrative Expense Claims, Fee Claims, United States Trustee Fees, DIP Claims, and Priority Tax Claims, are placed in the Classes set forth in

Article II of the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Fee Claims, U. S. Trustee Fees and Priority Tax Claims have not been classified, and the holders thereof are not entitled to vote on the Plan. A Claim or Interest is placed in a particular Class only to the extent that the Claim or Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes.

Section 5.02. Provisions for Treatment of Unclassified Claims

1. Administrative Expense Claims.

Except to the extent that a Holder of an Allowed Administrative Expense Claim agrees to less favorable treatment, or as otherwise provided for in the Plan, the Debtor shall pay to each Holder of an Allowed Administrative Expense Claim Cash in an amount equal to the amount of such Allowed Administrative Expense Claim on, or as soon thereafter as is reasonably practicable, the later of (i) the Effective Date, and (ii) the first Business Day after the date that is thirty (30) calendar days after the date an Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is reasonably practicable; *provided, however*, that Allowed Ordinary Course Administrative Expense Claims may be paid by the Debtor or the Reorganized Debtor in the ordinary course of business of the Debtor or the Reorganized Debtor consistent with past practice and in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

The Confirmation Order or separate bankruptcy court order will establish the Administrative Expense Claims Bar Date for filing applications for the allowance of Administrative Expense Claims (except for Fee Claims, Ordinary Course Administrative Expense Claims, and any fees or charges assessed against the Estate under Section 1930 of title 28 of the United States Code and any applicable interest thereon). A notice setting forth the Administrative Expense Claim Bar Date shall be filed on the Bankruptcy Court's docket. Further notice of the Administrative Expense Claims Bar Date shall be provided as may be directed by the Bankruptcy Court. All requests for payment of an Administrative Expense Claim that accrued on or before the Effective Date (except for Administrative Expense Claims that have been paid, Fee Claims, Ordinary Course Administrative Expense Claims, and any fees or charges assessed against the Estate under Section 1930 of title 28 of the United States Code) must be filed with counsel for the Debtor by the Administrative Expense Claim Bar Date. Any requests for payment of an Administrative Expense Claim that are not properly filed and served by the Administrative Expense Claim Bar Date shall be disallowed automatically without the need for any objection from the Debtor or the Reorganized Debtor or any action by the Bankruptcy Court. The Reorganized Debtor shall have until 120 days after the Administrative Expense Claims Bar Date (or such longer period as may be allowed by order of the Bankruptcy Court) to review and object to all applications for the allowance of Administrative Expense Claims. Unless the Debtor or the Reorganized Debtor object to a timely-filed and properly served Administrative Expense Claim, such Administrative Expense Claim shall be deemed Allowed in the amount requested.

2. Fee Claims.

Any entity seeking an award by the Bankruptcy Court of compensation or reimbursement of Fee Claims pursuant to sections 327, 328, 330, 331, 503 or 1103 of the Bankruptcy Code for services rendered prior to the Effective Date shall file and serve on the Reorganized Debtor and their counsel, the United States Trustee, and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order or any other order(s) of the Court, its final application for allowance of such compensation and/or reimbursement by no later than sixty (60) days after the Effective Date or such other date as may be fixed by the Bankruptcy Court. Holders of Fee Claims that are required to file and serve applications for final allowance of their Fee Claims and that do not file and serve such applications by the required deadline shall be forever barred from asserting such Fee Claims against the Debtor, the Reorganized Debtor or their respective properties, and such Fee Claims shall be deemed discharged as of the Effective Date. Objections to any Fee Claims must be filed and served on the Reorganized Debtor and their counsel and the requesting party no later than thirty (30) days (or such longer period as may be allowed by order of the Bankruptcy Court) after the date on which an application for final allowance of such Fee Claims was filed and served.

The Reorganized Debtor shall pay each Holder of an Allowed Fee Claim Cash in an amount equal to the amount of such Allowed Fee Claim on the date such Fee Claim becomes an Allowed Fee Claim or as soon thereafter as is reasonably practicable.

3. United States Trustee Fees

On the Effective Date or as soon as practicable thereafter, the Debtor or the Reorganized Debtor shall pay all United States Trustee Fees.

4. DIP Claims

On the Effective Date, the DIP Claims will be indefeasibly paid and satisfied, in full, in Cash or such other consideration as is agreed by the Debtor and the DIP Lenders with the consent of the Required Lenders, by the Debtor or the Reorganized Debtor, and after the DIP Claims are satisfied, all liens granted to the DIP Lenders in connection with the DIP Credit Agreement shall be terminated without further action by the Debtor or the Reorganized Debtor or further order of the Bankruptcy Court.

5. Priority Tax Claims.

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a different treatment, or the Bankruptcy Court has previously ordered otherwise, each Holder of an Allowed Priority Tax Claim shall receive, in full and complete satisfaction, settlement, and release of, and in exchange for such Allowed Priority Tax Claim, at the sole option of the Reorganized Debtor, (a) on, or as soon thereafter as is reasonably practicable, the later of the Effective Date and the first Business Day after the date that is thirty (30) calendar days after the date a Priority Tax Claim becomes an Allowed Claim, Cash in an amount equal to such Allowed Priority Tax Claim, or (b) deferred Cash payments following the Effective Date, over a period ending not later than five (5) years after the Petition Date, in an aggregate amount equal to the Allowed amount of such

Priority Tax Claim (with any interest to which the holder of such Priority Tax Claim may be entitled to be calculated in accordance with section 511 of the Bankruptcy Code). All Allowed Priority Tax Claims which are not due and payable on or before the Effective Date shall be paid in the ordinary course of business. The Reorganized Debtor shall retain the right to pay any Allowed Priority Tax Claim, or any remaining balance of such claim, in full at any time without premium or penalty.

Section 5.03. Provisions for Treatment of Classified Claims.

1. Class 1 – Priority Non-Tax Claims.

A. Treatment. The legal, equitable and contractual rights of the Holders of Class 1 Claims are unaltered by the Plan. Except to the extent a Holder of a Priority Non-Tax Claim agrees to different treatment, each Holder of an Allowed Priority Non-Tax Claim will be paid, in full and complete satisfaction, settlement, and release of and in exchange for such Allowed Priority Non-Tax Claim, the Allowed Amount of such Allowed Priority Non-Tax Claim in full in Cash on the later of the Effective Date and the first Distribution Date subsequent to the date such Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim.

B. Voting. In accordance with section 1126(f) of the Bankruptcy Code, the Holders of Allowed Priority Non-Tax Claims are conclusively presumed to accept the Plan and the votes of such Holders will not be solicited with respect to such Allowed Priority Non-Tax Claims.

2. Class 2 – Senior Lender First-Out Obligation Claims.

A. Allowance. On the Effective Date, Senior Lender First-Out Obligation Claims shall be deemed Allowed in the aggregate amount of $30,501,908.66, plus any accrued interest, fees, and expenses.

B. Treatment. Except to the extent that a Holder of an Allowed Senior Lender First-Out Obligation Claim agrees to different treatment, each Holder of an Allowed Senior Lender First-Out Obligation Claim shall receive, in full and complete satisfaction, settlement and release of and in exchange for such Allowed Senior Lender First-Out Obligation Claim, its pro rata share of 65.0% of the Reorganized Debtor Common Units; *provided*, *however*, that Orpheus Holdings LLC ~~has~~and Orpheus Holdings LTD have agreed to the Orpheus Holdings Redistribution. Each Holder of an Allowed Senior Lender First-Out Obligation Claim shall, immediately following receipt of its share of the Reorganized Debtor Common Units (including the units being received on account of the Orpheus Holdings Redistribution), contribute such units to NewCo, and, in exchange for such Holder's Reorganized Debtor Common Units, such Holder shall receive an equal share of the NewCo Common Units.

C. Voting. Class 2 is Impaired, and the Holders of Allowed Senior Lender First-Out Obligation Claims are entitled to vote to accept or reject the Plan.

3. Class 3 – Senior Lender Second-Out Obligation Claims.

A. Allowance. On the Effective Date, Senior Lender Second-Out Obligation Claims shall be deemed Allowed in the aggregate amount of $17,551,223.92.

B. Treatment. Except to the extent that a Holder of an Allowed Senior Lender Second-Out Obligation Claim agrees to different treatment, each Holder of an Allowed Senior Lender Second-Out Obligation Claim shall receive, in full and complete satisfaction, settlement and release of and in exchange for such Allowed Senior Lender Second-Out Obligation Claim, a pro rata share of 35.0% of the Reorganized Debtor Common Units; *provided*, *however*, that Orpheus Holdings LLC ~~has~~and Orpheus Holdings LTD have agreed to the Orpheus Holdings Redistribution. Each Holder of an Allowed Senior Lender Second-Out Obligation Claim shall, immediately following receipt of its share of the Reorganized Debtor Common Units, contribute such units to NewCo, and, in exchange for such Holder's Reorganized Debtor Common Units, such Holder shall receive an equal share of the NewCo Common Units.

C. Voting. Class 3 is Impaired, and the Holders of Allowed Senior Lender Second-Out Obligation Claims are entitled to vote to accept or reject the Plan.

4. Class 4 – Factor Claim

A. Allowance. On the Effective Date, Factor Claims shall be deemed Allowed in the aggregate amount of $3,708,448, or such other amount as may be outstanding as of the Effective Date.

B. Treatment. The Factoring Agreement, to the extent obligations thereunder are outstanding as of the Effective Date, will be paid in Cash or amended and restated, as agreed by the Senior Lenders and the Factor Lenders.

C. Voting. Class 4 is Impaired, and the Holders of Allowed Factor Claims are entitled to vote to accept or reject the Plan.

5. Class 5 - Subordinated Lender Claims.

A. Treatment. No distributions shall be made under the Plan on account of the Subordinated Lender Claims, and the Subordinated Obligations shall be cancelled.

B. Voting. In accordance with section 1126(g) of the Bankruptcy Code, the Holders of Allowed Subordinated Lender Claims are conclusively presumed to reject the Plan and the votes of such Holders will not be solicited with respect to such Allowed Subordinated Lender Claims.

6. Class 6 – PIK Lender Claims.

A. Treatment. No distributions shall be made under the Plan on account of the PIK Lender Claims and all the PIK Notes shall be cancelled.

B. Voting. In accordance with section 1126(g) of the Bankruptcy Code, the Holders of Allowed PIK Lender Claims are conclusively presumed to reject the Plan and the votes of such Holders will not be solicited with respect to such Allowed PIK Lender Claims.

7. Class 7 – General Unsecured Claims.

A. Treatment. No distributions shall be made under the Plan on account of the General Unsecured Claims.

B. Voting. In accordance with section 1126(g) of the Bankruptcy Code, the Holders of Allowed General Unsecured Claims are conclusively presumed to reject the Plan and the votes of such Holders will not be solicited with respect to such Allowed General Unsecured Claims.

8. Class 8 – Existing Equity Interests.

A. Treatment. Each Holder of an Existing Equity Interest shall not receive or retain any property or interests on account of such interest and any such interest shall be cancelled and extinguished on the Effective Date.

B. Voting. In accordance with section 1126(g) of the Bankruptcy Code, the Holders of Allowed Existing Equity Interests are conclusively presumed to reject the Plan and the votes of such Holders will not be solicited with respect to such Allowed Existing Equity Interests.

Section 5.04. Acceptance or Rejection of the Plan

1. Each Impaired Class Entitled to Vote Separately

Each Impaired Class of Claims that is to receive a Distribution under the Plan will be entitled to vote separately to accept or reject the Plan. Except as provided herein, each Person that, as of the Voting Record Date, holds a Claim in an Impaired Class will receive a Ballot that will be used to cast its vote to accept or reject the Plan. In the event of a controversy as to whether any Class of Claims or Interests is Impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy.

2. Acceptance by a Class of Claims

An Impaired Class of Claims will be deemed to accept the Plan if the Plan is accepted by the Holders of Claims in such Class that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have voted to accept or reject the Plan.

3. Unimpaired Classes of Claims.

The following Classes of Claims are unimpaired and, therefore, deemed to have accepted the Plan and are not entitled to vote on the Plan under section 1126(f) of the Bankruptcy Code.

Class 1: Priority Non-Tax Claims

4. Impaired Classes of Claims and Interests.

The following Classes of Claims are impaired and entitled to vote on the Plan:

Class 2: Senior Lender First-Out Obligation Claims

Class 3: Senior Lender Second-Out Obligation Claims

Class 4: Factor Claims

The following Classes of Claims and Interests are impaired and deemed to have rejected the Plan and, therefore, are not entitled to vote on the Plan under section 1126(g) of the Bankruptcy Code:

Class 5: Subordinated Lender Claims

Class 6: PIK Lender Claims

Class 7: General Unsecured Claims

Class 8: Existing Equity Interests

5. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code or "Cramdown"

Because certain Classes are deemed to have rejected the Plan, the Debtor will seek confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtor, with the consent of the Required Lenders, reserves the right to alter, amend, modify, revoke or withdraw the Plan or any Plan Document in order to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

ARTICLE VI

MEANS OF PLAN IMPLEMENTATION

Section 6.01. Introduction

The Plan will be implemented through a restructuring of the Debtor's debt obligations. The Existing Equity Interests will be canceled, the Reorganized Debtor will become a wholly-owned subsidiary of NewCo, Holdings shall contribute some or all of the Subsidiary Interests (as further described in section 6.03(c) hereof) to the Debtor or NewCo as directed by the Holders of the Senior Lender First-Out Obligation Claims on or prior to the Effective Date, and the Creditors will each receive a distribution on account of their Claims, as discussed in Article V. The following discussion outlines the general terms of the contemplated reorganization of the Debtor and certain actions that will be taken to close the transactions contemplated by the Plan.

Section 6.02. Corporate Action Non-Voting Securities.

On and after the Effective Date, Holdings, NewCo, and the Reorganized Debtor shall have full authority and are authorized to take such actions and execute such documents as may be necessary to effectuate the transactions provided for in the Plan, including, without limitation, (i) assumption of Executory Contracts and unexpired leases, (ii) selection of the managers and officers of NewCo and the Reorganized Debtor, (iii) the execution and entry into the Exit Facility Agreement, if any, (iv) the issuance and distribution of the NewCo Common Units by NewCo and the Reorganized Debtor Common Units by the Reorganized Debtor, (v) the contribution of some or all of the Subsidiary Interests to the Debtor or NewCo as directed by the Holders of the Senior Lender First-Out Obligation Claims, and (vi) all other actions contemplated by the Plan (whether to occur before, on, or after the Effective Date). The Reorganized Debtor's post-Effective Date authority shall further include, without limitation, the right to operate its business as a going concern; to purchase and/or sell assets; to commence and prosecute actions and proceedings; to open, maintain and close bank accounts and/or other investments on behalf of the Estate; to make and File Objections to, or otherwise contest the amount, validity and/or priority of, all Claims; to calculate and make Distributions consistent with the Plan; to prosecute and resolve Objections regarding all Claims; to engage in arbitration or mediation; to engage or retain Professionals and to pay the fees and disbursements thereof; to file tax information and returns as required and, in connection therewith, to make such determinations of tax liability, challenge assessments, make tax elections, pay taxes and take other, related actions; to hold and dispose of any unclaimed Distributions; and to close the case and any related proceedings.

On and after the Effective Date, the members of Holdings, NewCo, and the Reorganized Debtor, as applicable, are authorized to, and may direct an officer to, issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such action as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan and the securities issued pursuant to the Plan in the name of, and on behalf of NewCo or the Reorganized Debtor, as applicable, without the need for any approvals, authorizations, or consents except for those required pursuant to the Plan.

In addition, the NewCo Operating Agreement will include a provision which requires NewCo to elect to be treated as a C corporation for federal income tax purposes; provided, however, that such election as a C corporation will not be effective until the NewCo Common Units are issued to the Holders of Allowed Senior Lender First-Out Obligation Claims and Allowed Senior Lender Second-Out Obligation Claims. In that respect, each Holder of a NewCo Common Unit shall elect to have NewCo treated as a C corporation for federal income tax and agree to not take any position contrary thereto.

The adoption of the NewCo Operating Agreement, and all other actions contemplated by the Plan shall be authorized and approved in all respects (subject to the provisions of the Plan) by the Confirmation Order. Each Holder of an Allowed Senior Lender First-Out Obligation Claim or Allowed Senior Lender Second-Out Obligation Claim who is to receive NewCo Common Units pursuant to the Plan shall execute the NewCo Operating Agreement on the Effective Date or as soon thereafter as practicable and, whether or not it executes the NewCo Operating Agreement, shall otherwise be deemed to agree to be bound by the terms of the NewCo Operating Agreement. NewCo shall file the NewCo Operating Agreement with the Secretary of State of the State of

Delaware. All matters provided for in the Plan involving the corporate structure of Holdings, the Debtor, the Reorganized Debtor, or NewCo, and any corporate action required by Holdings, the Debtor, the Reorganized Debtor, or NewCo in connection with the Plan, shall be deemed to have timely occurred in accordance with applicable law and shall be in effect, without any requirements or further action by the security holders or members of Holdings, the Debtor, the Reorganized Debtor, or NewCo. On the Effective Date, as applicable, the appropriate members of Holdings, the Debtor, the Reorganized Debtor, and/or NewCo are authorized and directed to issue, execute and deliver, and cause Holdings, the Debtor, the Reorganized Debtor, and/or NewCo to perform, the agreements, documents, securities and instruments contemplated by the Plan in the name of and on behalf of Holdings, the Debtor, the Reorganized Debtor, and/or NewCo, as applicable.

Section 6.03. Effective Date Transactions

1. Issuance of the Reorganized Debtor Common Units

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtor shall authorize the issuance of the Reorganized Debtor Common Units to Creditors entitled to a Distribution under the Plan in exchange for the cancellation of certain Claims that such Creditors have against the Debtor, and immediately after such issuance, such Reorganized Debtor Common Units shall be contributed to NewCo. The issuance of the Reorganized Debtor Common Units is authorized without the need for any further corporate action or any further action by any Holder of Claims or Interests.

All of the Reorganized Debtor Common Units issued pursuant to the Plan shall be duly authorized, validly issued and, if applicable, fully paid and non-assessable.

2. Issuance of the NewCo Common Units

On the Effective Date or as soon as reasonably practicable thereafter, NewCo shall authorize the issuance of 1,000 shares of the NewCo Common Units; *provided*, *however*, that MVC shall at no point be permitted to have a direct or indirect voting ownership in the NewCo Common Units of more than 10%. The issuance of the NewCo Common Units is authorized without the need for any further corporate action or any further action by any Holder of Claims or Interests.

All of the shares of the NewCo Common Units issued pursuant to the Plan shall be duly authorized, validly issued and, if applicable, fully paid and non-assessable.

3. Contribution of Subsidiary Interests

On the Effective Date, Holdings shall contribute some or all of the Subsidiary Interests to the Debtor or NewCo as directed by the Holders of the Senior Lender First-Out Obligation Claims except to the extent that such contribution has occurred prior to the Effective Date. As described in section 1.01 of the Plan, the "Subsidiary Interests" are all of the equity interests or assets, as directed by the Holders of the Senior Lender First-Out Obligation Claims, of any subsidiary of Holdings. As of the date hereof, and as set forth in the Debtor's current organizational chart, attached to the Disclosure Statement as Exhibit B, each of the Debtor, Te Amo LLC, K&S

Collection LLC, BP Clothing Canada, Inc., and Susie Rose LLC are directly wholly-owned subsidiaries of Holdings, and BPC Clothing Canada ULC and BPS Clothing Spain SL are indirect wholly-owned subsidiaries of Holdings.

Following the issuance of the NewCo Common Units, and assuming for illustrative purposes that the Holders of the Senior Lender First-Out Obligation Claims direct Holdings to transfer one hundred percent (100%) of the equity interests of Te Amo LLC to the Debtor, the revised organizational structure of Holdings and the Debtor is attached to the Disclosure Statement as Exhibit F.

4. Exit Facility

On the Effective Date, the Reorganized Debtor shall be authorized, but not required, to enter into the Exit Facility, the terms and conditions of which shall be acceptable to the Required Lenders. Confirmation shall be deemed approval of the Exit Facility, if any, (including the transactions contemplated thereby, such as any supplemental or additional syndication of the Exit Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtor in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein) and authorization for the Reorganized Debtor to enter into and execute the Exit Facility, if any, and such other documents as the Exit Facility Lenders may require, subject to such modifications as the Reorganized Debtor may deem to be reasonably necessary to consummate the Exit Facility with the consent of the Required Lenders. The Reorganized Debtor may use the Exit Facility for any purpose permitted thereunder, including the funding of obligations under the Plan and satisfaction of ongoing working capital needs.

Section 6.04. Securities Registration Exemption

The NewCo Common Units are to be issued pursuant to the Plan by NewCo, as an affiliate of the Debtor, without registration under the Securities Act or any similar federal, state or local law in reliance upon the exemptions set forth in section 1145 of the Bankruptcy Code. The Reorganized Debtor Common Units to be issued pursuant to the Plan are to be issued by the Reorganized Debtor without registration under the Securities Act or any similar federal, state or local law in reliance upon the exemptions set forth in section 1145 of the Bankruptcy Code. To the extent section 1145 of the Bankruptcy Code is inapplicable, the issuance of the NewCo Common Units and the Reorganized Debtor Common Units shall be exempt from registration under the Securities Act or any similar federal, state or local law in reliance on the exemption set forth in section 4(2) of the Securities Act or Regulation D promulgated thereunder.

Section 6.05. Vesting of Assets in the Reorganized Debtor

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated therein, on the Effective Date, all property in the Debtor's Estate, all Causes of Action, including the Retained Causes of Action, and any property acquired by any of the Debtor pursuant to the Plan shall vest in the Reorganized Debtor free and clear of all Liens, Claims, charges, or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan, the Reorganized Debtor may operate its business and may use, acquire, or dispose of

property and compromise or settle any Retained Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

Section 6.06. Corporate Governance

On and after the Effective Date, (i) the Board of Managers of NewCo shall consist of those three Managers to be named by the Required Lenders prior to the Confirmation Hearing, and (ii) the Reorganized Debtor shall be managed by NewCo in its capacity as the sole member of the Reorganized Debtor. Following the occurrence of the Effective Date, the Managers of NewCo may be replaced in accordance with the NewCo Operating Agreement.

Section 6.07. Cancellation of Existing Securities and Agreements

On the Effective Date, the Existing Equity Interests in the Debtor shall be deemed, and shall be, cancelled and shall be of no further force and effect, whether surrendered for cancellation or otherwise, the Reorganized Debtor shall issue the Reorganized Debtor Common Units to the Holders of the Senior Lender First-Out Obligation Claims and the Senior Lender Second-Out Obligation Claims, and immediately after such issuance, such Reorganized Debtor Units shall be contributed to NewCo in exchange for the NewCo Common Units. Similarly, on the Effective Date, except (a) as otherwise specifically provided for in the Plan, (b) with respect to Executory Contracts or unexpired leases that have been assumed by the Debtor, (c) for purposes of evidencing a right to Distributions under the Plan, or (d) with respect to any Claim that is Allowed under the Plan, on the Effective Date, any instruments or documents evidencing any Claims or Interests shall be deemed automatically canceled and deemed surrendered without further act or action under any applicable agreement, law, regulation, order, or rule and the obligations of the Debtor under the agreements, instruments, and other documents, indentures, and certificates of designations governing such Claims and Interests, as the case may be, shall be discharged; *provided*, *however*, that such instruments or documents shall continue in effect solely for the purpose of (x) allowing the Holders of such Claims to receive their Distribution under the Plan, and (y) allowing the Disbursing Agent to make such Distributions to made on account of such Allowed Claims; *provided, further, however*, that the preceding provisions shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan, or result in any expense or liability to the Reorganized Debtor.

Section 6.08. Obligations Incurred After the Effective Date

Payment obligations incurred after the Effective Date, including, without limitation, the professional fees of the Debtor, will not be subject to application or proof of claim and may be paid by the Reorganized Debtor in the ordinary course of business and without further Bankruptcy Court approval.

Section 6.09. Post-Confirmation Operating Reports and United States Trustee Fees.

The Reorganized Debtor shall be responsible for the preparation and filing of operating reports until entry of a final decree in this case. Quarterly fees payable to the United States Trustee

pursuant to 28 U.S.C. § 1930 and any applicable interest thereon shall be paid by the Reorganized Debtor until the Effective Date.

In addition and in accordance with the Rule 3021-1(c) of the Local Bankruptcy Rules for the Southern District of New York, post-confirmation status reports will be filed first, within forty-five (45) days after the entry of the Confirmation Order, and then quarterly every January 15th, April 15th, July 15th and October 15th until the Final Order closing the bankruptcy case is entered.

ARTICLE VII

PRESERVATION AND PROSECUTION OF CAUSES OF ACTION HELD BY THE DEBTOR

Section 7.01. Preservation and Prosecution of Causes of Action.

In accordance with section 1123(b) of the Bankruptcy Code, all claims and Causes of Action of the Reorganized Debtor are retained and preserved. The Reorganized Debtor shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Retained Causes of Action. The Reorganized Debtor's right to commence, prosecute, settle, or abandon their Retained Causes of Action shall be preserved, notwithstanding the occurrence of the Effective Date. No entity may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Cause of Action against them as any indication that the Debtor will not pursue any and all available Causes of Action against them. Unless any Causes of Action against an entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Debtor expressly reserves all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation Order. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action against any entity shall vest in the Reorganized Debtor.

Except as explicitly provided in the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver, release, or relinquishment of any rights, claims or causes of action, rights of setoff, or other legal or equitable defenses (including, for avoidance of doubt, any cause of action to avoid a transfer under sections 303(c), 544, 547, 548, or 553(b) of the Bankruptcy Code, of any similar state law) that the Debtor or the Reorganized Debtor may have, or which the Reorganized Debtor may choose to assert on behalf of the Estate under any provision of the Bankruptcy Code or any applicable non-bankruptcy law, including, without limitation, (i) any and all Claims against any Person or entity, to the extent such Person or entity asserts a cross-claim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtor or the Reorganized Debtor, (ii) the turnover of any property of the Debtor's Estate, and (iii) Causes of Action against current or former members, professionals, agents, financial advisors, underwriters, lenders or auditors relating to act or omissions occurring prior to the Petition Date, subject to the limitations set forth in the Plan.

Except as explicitly provided in the Plan, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver, release or relinquishment of any rights, claims or causes of action, rights of setoff, or other legal or equitable defenses (including, for avoidance of doubt, any cause of action to avoid a transfer under sections 303(c), 544, 547, 548, or 553(b) of the Bankruptcy Code, of any similar state law) that the Debtor had immediately prior to the Petition Date against or with respect to any Claim left Unimpaired. The Reorganized Debtor shall have, retain, reserve, and be entitled to assert all such Claims, Causes of Action, rights of setoff and other legal or equitable defenses which they had immediately prior to the Petition Date fully as if the Chapter 11 Case had not been commenced.

The Reorganized Debtor reserves and shall retain the foregoing Causes of Action notwithstanding the rejection or repudiation of any Executory Contract or unexpired lease during the Chapter 11 Case or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtor may hold against any entity shall vest in the Reorganized Debtor.

ARTICLE VIII

PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS

Section 8.01. Objections to Claims.

As of the Effective Date, the Reorganized Debtor shall retain the right to object to the allowance of Claims, other than Claims expressly Allowed under the Plan, on all available grounds, together with all defenses of the Debtor and its Estate, including, without limitation, the defense of setoff. The Reorganized Debtor shall have the right to object to the allowance of any other Claims or Interests with respect to which they dispute liability, priority, and/or amount. All objections, affirmative defenses, and counterclaims shall be litigated to Final Order; *provided, however,* that the Reorganized Debtor shall have authority to file, settle, compromise or withdraw any objections to Claims. Any Objections to Claims that have been filed on or before the Confirmation Date, shall be served and filed as soon as practicable, but, in each instance, no later than: (a) 180 days after the Effective Date; or (b) such other date as may be fixed by the Bankruptcy Court, whether fixed before or after the date specified in clause (a) hereof. The Filing of a motion to extend such objection deadline shall automatically extend such deadline until a Final Order is entered on such motion. In the event that such a motion to extend the objection deadline is denied by the Bankruptcy Court, or approved by the Bankruptcy Court and reversed on appeal, such objection deadline shall be the later of the current deadline (as previously extended, as applicable) or 30 days after entry of a Final Order denying the motion to extend the objection deadline.

Section 8.02. No Payment or Distribution Pending Allowance.

Notwithstanding any other provision in the Plan, if any portion of a Claim is a Disputed Claim, no payment or Distribution of Property provided for hereunder shall be made on account of such Claim unless and until the Disputed Claim becomes an Allowed Claim. To the extent a Disputed Claim is Disallowed in whole or in part, the Holder of such Claim will not receive any

Distribution on account of the portion of such Claim (including the whole, if applicable) that is Disallowed.

Section 8.03. Estimation.

The Reorganized Debtor shall have the right, but not the obligation, at any time to seek an order of the Bankruptcy Court, after notice and a hearing (which notice may be limited to the Holder of a Disputed Claim and the United States Trustee, and which hearing may be held on an expedited basis), estimating for final Distribution purposes any contingent, unliquidated, or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtor or the Reorganized Debtor previously objected to such Claim. If the Bankruptcy Court estimates any contingent, Disputed or unliquidated Claim, the estimated amount shall constitute either the Allowed Amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court, *provided*, *however*, that if the estimate constitutes the maximum limitation on such Claim, the Debtor or the Reorganized Debtor may elect to pursue supplemental proceedings to object to any ultimate allowance of such Claim. On or after the Confirmation Date, Claims that have been estimated may be compromised, settled, withdrawn, or otherwise resolved subsequently, without further order of the Bankruptcy Court.

ARTICLE IX

DISTRIBUTIONS UNDER THE PLAN

Section 9.01. Limitation to Full Recovery

Notwithstanding anything herein to the contrary, no Holder of any Claim will be entitled to a Distribution in excess of 100% of the Allowed amount of its Claim.

Section 9.02. Timing of Distributions.

Distributions under the Plan shall be made (i) as set forth in the Plan or as soon as reasonably practicable thereafter; or (ii) as agreed between the Debtor or the Reorganized Debtor, as applicable, and the particular Creditor, or as soon as reasonably practicable thereafter.

Section 9.03. Saturdays, Sundays, or Legal Holidays.

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, and shall be deemed to have been completed as of the required date.

Section 9.04. Distribution Record Date.

Except as otherwise provided in a Final Order that is not subject to any stay, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 and Filed with the Bankruptcy Court on or prior to the Distribution Record Date will be treated as the Holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer may not have expired by the Distribution Record Date. As of the close of business on

the Distribution Record Date, any transfer ledgers, transfer books, registers and any other records will be closed and, for purposes of the Plan, there shall be no further changes in the record Holders of such Claims. The Debtor shall have no obligation to recognize the transfer of any Claim occurring after the Distribution Record Date, and will be entitled for all purposes to recognize and deal only with those Holders of Claims and Interests as of the close of business on the Distribution Record Date, as reflected on the ledgers, books, registers or records of the Debtor and the Bankruptcy Court.

Section 9.05. Delivery of Distributions.

Subject to the treatment of Disputed Distributions as set forth in Article VII of the Plan, Distributions shall be made to Holders of Allowed Claims at the addresses set forth on the Debtor's books and records or the Proofs of Claim, if any, Filed by such Creditors or at the last known addresses of such Creditors or, in the case of transferred Claims, on the notice of transfer Filed with the Bankruptcy Court pursuant to Bankruptcy Rule 3001, each as of the Distribution Record Date. If any such Creditor's Distribution is returned as undeliverable, no further Distribution shall be made to such Creditor unless and until the Debtor are notified of such Creditor's then-current address, at which time any missed Distribution shall be made to such Creditor to the extent of available Cash; *provided* that in no event is the Debtor required to make Distributions to a Creditor whose Distribution is returned as undeliverable and becomes Unclaimed Property (as discussed in section 9.07 hereof).

Section 9.06. Method of Cash Distributions.

The Disbursing Agent shall make all Distributions contemplated by the Plan. Any Cash payment to be made pursuant to the Plan shall be made by check drawn on a domestic bank or by wire transfer from a domestic bank, at the option of the Disbursing Agent. If a Creditor holds more than one Claim in any one Class, all Allowed Claims of the Creditor in that Class may, at the Debtor's option, be aggregated and one Distribution may be made with respect thereto.

Section 9.07. Unclaimed Property.

All Property distributed on account of Claims must be claimed within the later of ninety (90) days after (i) the Distribution Date and (ii) the date such Distribution is made to such Holder *provided, however*, in the case of a Distribution made in the form of a check, must be negotiated or a request for reissuance made directly to the Debtor by the Creditor that was originally issued such check and shall be made within ninety (90) days after the date the Distribution is made to the applicable Creditor. Nothing contained in the Plan shall require the Debtor to attempt to locate any Holder of an Allowed Claim, other than as provided herein. Pursuant to Bankruptcy Code sections 347(b) and 1143, all Claims in respect of Unclaimed Property shall be deemed Disallowed and the Holder of any Claim Disallowed is forever barred, expunged, estopped and enjoined from asserting such Claim in any manner against the Debtor or the Estate. Unclaimed Property of a particular Creditor shall be distributed to Holders of Allowed Claims in the same Class as such Creditor on the next applicable Distribution Date on a pro rata basis.

Section 9.08. Compliance with Tax Requirements.

In connection with each Distribution with respect to which the filing of an information return (such as an IRS Form 1099 or 1042) or withholding is required, the Debtor shall file such information return with the IRS and provide any required statements in connection therewith to the recipients of such Distribution or effect any such withholding and deposit all moneys so withheld as required by law. With respect to any Person from whom a tax identification number, certified tax identification number or other tax information required by law to avoid withholding has not been received by the Debtor within thirty (30) days from the date of any such request, the Debtor may, at its option, withhold the amount required and distribute the balance to such Person or decline to make such Distribution until the information is received.

Section 9.09. Setoffs.

Except as otherwise provided in the Plan, the Confirmation Order, or in an agreement approved by a Final Order of the Bankruptcy Court, the Debtor or the Reorganized Debtor, as applicable, may, pursuant to applicable law (including section 553 of the Bankruptcy Code), setoff against any Distribution amounts related to any Claim before any Distribution is made on account of such Claim, any and all of the Claims, rights and causes of action of any nature that the Debtor, the Estate or the Reorganized Debtor may hold against the Holder of such Claim, *provided, however,* that neither the failure to effect such a setoff, the allowance of any Claim hereunder, any other act or omission of the Debtor or the Disbursing Agent, nor any provision of the Plan (other than Article X of the Plan) will constitute a waiver or release by the Debtor or the Reorganized Debtor of any such claims, rights or causes of action that the Debtor or the Reorganized Debtor may possess against such Holder. To the extent the Debtor or the Reorganized Debtor fail to set off against a Holder and seeks to collect a claim from such Holder after a Distribution to such Holder has been made pursuant to the Plan, the Reorganized Debtor, if successful in asserting such claim, will be entitled to full recovery on the Claim against such Holder.

Section 9.10. Documentation Necessary to Release Lien.

Each Creditor who is a Holder of a Lien satisfied, discharged and released under the Plan and who is to receive a Distribution under the Plan, following the receipt of such Distribution, shall deliver any documents necessary to release all Liens arising under any applicable security agreement or non-bankruptcy law (in recordable form, if appropriate) in connection with such Claim and such other documents as the Debtor or Reorganized Debtor may reasonably request to document satisfaction of the Lien.

Section 9.11. Distributions Under Fifty Dollars

No Distribution of Cash in an amount less than fifty dollars ($50.00) will be made by the Disbursing Agent to any Holder of an allowed Claim unless a request is made in writing to the Disbursing Agent. If no such request is made, all such Distributions will be treated as Unclaimed Property.

Section 9.12. Fractional NewCo Common Units

No fractional share of the NewCo Common Units shall be issued. Fractional shares of NewCo Common Units shall be rounded to the next greater or next lower number of shares in accordance with the following: (a) fractions of one-half (1/2) or greater shall be rounded to the next higher whole number, and (b) fractions of less than one-half (1/2) shall be rounded to the next lower whole number. The total number of shares of the NewCo Common Units to be distributed hereunder shall be adjusted as necessary to account for the rounding provided for in this Section 9.12.

ARTICLE X

EXECUTORY CONTRACTS AND UNEXPIRED LEASES; INDEMNIFICATION OBLIGATIONS

Section 10.01. General Treatment.

As of and subject to the occurrence of the Effective Date and the payment of any applicable Cure Amount, all Executory Contracts and unexpired leases to which the Debtor is a party shall be deemed assumed, except for any Executory Contracts or unexpired leases that: (a) previously have been assumed or rejected pursuant to a Final Order of the Bankruptcy Court; (b) are designated specifically or by category as a contract or lease to be rejected on the Schedule of Rejected Contracts and Leases, if any; or (c) are the subject of a separate motion to assume or reject under section 365 of the Bankruptcy Code pending on the Effective Date. Any Schedule of Rejected Contracts and Leases may be revised by the Debtor, with the consent of the Required Lenders, to and including the Confirmation Date. As of and subject to the occurrence of the Effective Date, all contracts identified on the Schedule of Rejected Contracts and Leases shall be deemed rejected. Subject to the occurrence of the Effective Date, entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise specified in writing, each Executory Contract and unexpired lease to be assumed or rejected shall include modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner affects such Executory Contract and unexpired lease. Each Executory Contract and unexpired lease assumed pursuant to this Section 10.01 shall revest in and be fully enforceable by the Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption or applicable federal law.

Section 10.02. Cure and Cure Objections.

(a) Except to the extent that less favorable treatment has been agreed to by the non-Debtor party or parties to each such Executory Contract or unexpired lease, any monetary defaults arising under each Executory Contract and unexpired lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the appropriate amount (the "Cure Amount") in Cash on the later of thirty (30) days after (i) the Effective Date or (ii) the date on which the Cure Amount has been resolved (either consensually or through judicial decision).

(b) No later than the date of the filing of the Plan Supplement, the Debtor shall file and serve a schedule (the "Cure Schedule") setting forth the Cure Amount, if any, for each Executory Contract or unexpired lease to be assumed pursuant to Article IX of the Plan. The Cure Amount for any Executory Contract or unexpired lease not on the Cure Schedule shall be zero. Any party that fails to object to the applicable Cure Amount listed on the Cure Schedule within twenty (20) days of the filing thereof, shall be forever barred, estopped and enjoined from disputing the Cure Amount set forth on the Cure Schedule (including a Cure Amount of $0.00) and/or from asserting any Claim against the Debtor arising under section 365(b)(1) of the Bankruptcy Code except as set forth on the Cure Schedule.

(c) Any party wishing to object to the assumption of any Executory Contract or unexpired lease hereunder must follow the instruction described in the Order approving the Disclosure Statement and include a copy of the Executory Contract or unexpired lease to which such objection relates or contain information in detail such that the Debtor may readily identify such Executory Contract or unexpired lease. Any counterparty that does not object to the assumption of the Executory Contract or unexpired lease under the Plan shall be deemed to have consented to such assumption.

(d) In the event of a dispute (each, a "Cure Dispute") regarding: (i) the Cure Amount; (ii) the ability of the Reorganized Debtor to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed; or (iii) any other matter pertaining to the proposed assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order resolving such Cure Dispute and approving the assumption. To the extent a Cure Dispute relates solely to the Cure Amount, the Debtor may, but is not required to, assume the applicable contract or lease prior to the resolution of the Cure Dispute provided that the Debtor reserves Cash in an amount sufficient to pay the full amount asserted as cure payment by the non-Debtor party to such contract or lease (or such smaller amount as may be fixed or estimated by the Bankruptcy Court). To the extent a Cure Dispute relates to the Debtor's ability to assume the Executory Contract or unexpired lease, the Debtor or the Reorganized Debtor (as the case may be) may, with the consent of the Required Lenders, move such Executory Contract or unexpired lease to the Schedule of Rejected Contracts and Leases within two Business Days following the entry of the Final Order with respect to the Cure Dispute.

Section 10.03. Assumption Conditioned upon Consummation of The Plan.

The Plan seeks to cause the Debtor and the Reorganized Debtor to assume the relevant contracts on the Effective Date to the extent, and only to the extent, that such contracts or leases constitute Executory Contracts or unexpired leases. Additionally, unless the assumption, or assumption and assignment, of an assumed contract is expressly approved by a Final Order of the Bankruptcy Court that provided otherwise, the assumption of each contract by the Debtor or the Reorganized Debtor is expressly conditioned upon the occurrence of the Effective Date. If the Effective Date does not occur, assumption of the contracts as provided in the Plan will not be effective, and the Debtor will retain all of its rights under section 365 of the Bankruptcy Code with respect to such contracts and leases.

Section 10.04. Bar Date for Filing Proofs of Claim Relating to Executory Contracts and Unexpired Leases Rejected Pursuant to the Plan

Claims arising out of the rejection of an Executory Contract or unexpired lease pursuant to Article IX of the Plan must be filed with the Bankruptcy Court and served upon the Debtor (or, on and after the Effective Date, the Reorganized Debtor) no later than thirty (30) days after the later of (i) notice of entry of an order approving the rejection of such Executory Contract or unexpired lease, and (ii) notice of entry of the Confirmation Order. Such Claims shall be treated as General Unsecured Claims. All such Claims not filed within such time will be forever barred from assertion against the Debtor and its Estate or the Reorganized Debtor and its Property.

Section 10.05. Treatment of Rejection Claims.

Any Allowed Claim arising out of the rejection of an Executory Contract or unexpired lease pursuant to the Plan (as opposed to a separate order of the Bankruptcy Court) shall, pursuant to section 502(g) of the Bankruptcy Code, be a General Unsecured Claim, and shall not be entitled to a Distribution hereunder.

Section 10.06. Reinstatement and Continuation of Insurance Policies.

Unless otherwise assumed during the pendency of the Chapter 11 Case, from and after the Effective Date, each of the Debtor's insurance policies in existence on and as of the Confirmation Date shall be reinstated and continued in accordance with its terms and, to the extent applicable, shall be deemed assumed by the Reorganized Debtor pursuant to section 365 of the Bankruptcy Code. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtor may hold against any entity, including, without limitation, the insurer under any of the Debtor's insurance policies.

The Debtor's discharge and release from all Claims and Interests, as provided herein, shall not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtor, the Reorganized Debtor, or any other person or entity.

ARTICLE XI

EFFECT OF CONFIRMATION

Section 11.01. Binding Effect.

The provisions of the Plan shall be binding upon and inure to the benefit of the Debtor, any Holder of any Claim or Interest treated herein and each of their respective heirs, executors, administrators, representatives, predecessors, successors, assigns, agents, officers and directors, and, to the fullest extent permitted under the Bankruptcy Code and other applicable law, each other Person affected by the Plan

Section 11.02. Continued Corporate Existence.

Except as otherwise provided in the Plan, the Debtor shall continue to exist after the Effective Date as a separate legal entity, pursuant to the laws of the State of Delaware and the terms of the Amended Operating Agreement.

Section 11.03. Vesting of Property.

On the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, and except as otherwise provided in the Plan, the Property of the Estate shall vest in the Reorganized Debtor free and clear of all Claims, Liens, encumbrances, charges, and other Interests, except as provided herein or in the Confirmation Order. From and after the Effective Date, the Reorganized Debtor may operate its business and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code or the Bankruptcy Rules and in all respects as if there were no pending case under any chapter or provision of the Bankruptcy Code, except as provided herein.

Section 11.04. Discharge of Claims Against and Interests in the Debtor.

Upon the Effective Date and in consideration of the distributions to be made hereunder, except as otherwise provided herein or in the Confirmation Order, each Person that is a Holder (as well as any trustees and agents on behalf of such Person) of a Claim or Interest and any affiliate of such Holder shall be deemed to have forever waived, released, and discharged the Debtor, to the fullest extent permitted by section 1141 of the Bankruptcy Code, of and from any and all Claims, Interests, rights, and liabilities that arose prior to the Effective Date. Except as otherwise provided herein, upon the Effective Date, all such Holders of Claims and Interests and their affiliates shall be forever precluded and enjoined, pursuant to sections 105, 524, 1141 of the Bankruptcy Code, from prosecuting or asserting any such discharged Claim against or terminated Interest in the Debtor.

Section 11.05. Term of Pre-Confirmation Injunctions or Stays.

Unless otherwise provided herein, all injunctions or stays arising prior to the Confirmation Date in accordance with sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

Section 11.06. Injunction Against Interference With Plan.

Upon the entry of the Confirmation Order, all Holders of Claims and Interests and other parties in interest, along with their respective present or former affiliates, employees, agents, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan.

Section 11.07. Injunction.

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN, THE CONFIRMATION ORDER, OR SUCH OTHER ORDER OF THE BANKRUPTCY COURT THAT MAY BE APPLICABLE, AS OF THE EFFECTIVE DATE, ALL PERSONS WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS AGAINST OR INTERESTS IN THE DEBTOR OR ITS ESTATE

THAT ARE DISCHARGED PURSUANT TO THE PLAN ARE, WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS, PERMANENTLY ENJOINED FROM AND AFTER THE EFFECTIVE DATE FROM: (I) COMMENCING, CONDUCTING OR CONTINUING IN ANY MANNER, DIRECTLY OR INDIRECTLY, ANY SUIT, ACTION OR OTHER PROCEEDING OF ANY KIND (INCLUDING, WITHOUT LIMITATION, ANY PROCEEDING IN A JUDICIAL, ARBITRAL, ADMINISTRATIVE OR OTHER FORUM) ON ANY SUCH CLAIM OR INTEREST AGAINST OR AFFECTING THE DEBTOR, THE REORGANIZED DEBTOR, THE ESTATE, OR ANY OF THE DEBTOR'S PROPERTY, OR ANY DIRECT OR INDIRECT TRANSFEREE OF ANY PROPERTY OF, OR DIRECT OR INDIRECT SUCCESSOR IN INTEREST TO, ANY OF THE FOREGOING PERSONS OR ANY PROPERTY OF ANY SUCH TRANSFEREE OR SUCCESSOR; (II) ENFORCING, LEVYING, ATTACHING (INCLUDING, WITHOUT LIMITATION, ANY PRE-JUDGMENT ATTACHMENT), COLLECTING OR OTHERWISE RECOVERING BY ANY MANNER OR MEANS, WHETHER DIRECTLY OR INDIRECTLY, ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST THE DEBTOR, THE REORGANIZED DEBTOR, THE ESTATE, OR ANY OF THE DEBTOR'S PROPERTY, OR ANY DIRECT OR INDIRECT TRANSFEREE OF ANY PROPERTY OF, OR DIRECT OR INDIRECT SUCCESSOR IN INTEREST TO, ANY OF THE FOREGOING PERSONS, OR ANY PROPERTY OF ANY SUCH TRANSFEREE OR SUCCESSOR; (III) CREATING, PERFECTING OR OTHERWISE ENFORCING IN ANY MANNER, DIRECTLY OR INDIRECTLY, ANY ENCUMBRANCE OF ANY KIND AGAINST THE DEBTOR, THE REORGANIZED DEBTOR, THE ESTATE, OR ANY OF THE DEBTOR'S PROPERTY, OR ANY DIRECT OR INDIRECT TRANSFEREE OF ANY PROPERTY OF, OR SUCCESSOR IN INTEREST TO, ANY OF THE FOREGOING PERSONS; (IV) ACTING OR PROCEEDING IN ANY MANNER, IN ANY PLACE WHATSOEVER, THAT DOES NOT CONFORM TO OR COMPLY WITH THE PROVISIONS OF THE PLAN TO THE FULL EXTENT PERMITTED BY APPLICABLE LAW; AND (V) COMMENCING OR CONTINUING, IN ANY MANNER OR IN ANY PLACE, ANY ACTION THAT DOES NOT COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THE PLAN; PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL PRECLUDE SUCH PERSONS FROM EXERCISING THEIR RIGHTS, OR OBTAINING BENEFITS, PURSUANT TO AND CONSISTENT WITH THE TERMS OF THE PLAN. SUCH INJUNCTION SHALL EXTEND TO ALL SUCCESSORS OF THE DEBTOR AND ITS RESPECTIVE MEMBERS.

Section 11.08. Releases.

(A) EACH EXISTING HOLDINGS UNIT HOLDER, HOLDINGS, EACH FOR ITSELF AND EACH OF THEIR RESPECTIVE TRUSTEES, AFFILIATES, PREDECESSORS, SUCCESSORS, ASSIGNS, EMPLOYEES, AGENTS, ATTORNEYS, LEGAL REPRESENTATIVES, PROFESSIONALS, PARENTS, SUBSIDIARIES, EQUITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS AND ANY OTHER PERSON ACTING FOR OR ON BEHALF OF IT (COLLECTIVELY, THE "HOLDINGS RELEASING PARTIES"), RELEASES, ACQUITS AND FOREVER DISCHARGES EACH OF GUGGENHEIM, MVC, THE SENIOR LENDERS, THE SUBORDINATED LENDERS, THE LOAN PARTIES, AND THE PIK LENDERS AND EACH OF THEIR RESPECTIVE TRUSTEES, AFFILIATES, PREDECESSORS,

SUCCESSORS, ASSIGNS, EMPLOYEES, AGENTS, ATTORNEYS, LEGAL REPRESENTATIVES, PROFESSIONALS, PARENTS, SUBSIDIARIES, EQUITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS AND ANY OTHER PERSON ACTING FOR OR ON BEHALF OF IT (COLLECTIVELY, THE "LENDER RELEASED PARTIES") OF AND FROM ANY AND ALL CLAIMS, LIABILITIES, DEMANDS, DAMAGES, ACTIONS, CAUSES OF ACTION, RIGHTS, COSTS, LOSSES, EXPENSES, ADVERSE CONSEQUENCES, DEBTS, DEFICIENCIES, DIMINUTION IN VALUE, LIENS, AMOUNTS PAID IN SETTLEMENT, DISBURSEMENTS, COMPENSATION AND SUITS AT LAW OR IN EQUITY, OF WHATSOEVER KIND OR NATURE, IN EACH CASE, THAT ANY OF THE RELEASING PARTIES EVER HAD, NOW HAS OR HEREAFTER CAN, SHALL OR MAY HAVE BECAUSE OF ANYTHING HERETOFORE DONE, OMITTED, SUFFERED, OR ALLOWED TO BE DONE BY ANY OF THE LENDER RELEASED PARTIES, WHETHER FORESEEN OR UNFORESEEN, FIXED OR CONTINGENT, DIRECT, INDIRECT OR DERIVATIVE, ASSERTED OR UNASSERTED, MATURED OR UNMATURED, LIQUIDATED OR UNLIQUIDATED, SUSPECTED OR UNSUSPECTED, OR WHETHER KNOWN OR UNKNOWN, INCLUDING, WITHOUT LIMITATION, ANY CLAIMS FOR BREACH OF CONTRACT OR ANY INTERFERENCE WITH CONTRACT, AND ANY DAMAGES AND THE CONSEQUENCES THEREOF RESULTING FOR ANY REASON WHATSOEVER, IN EACH CASE TO THE EXTENT ARISING PRIOR TO THE EFFECTIVE DATE IN CONNECTION WITH THE SENIOR CREDIT AGREEMENT, THE SUBORDINATED CREDIT AGREEMENT, THE EXISTING HOLDINGS UNITS, THE PIK NOTES, THE PLAN, OR THE CHAPTER 11 CASE (ALL OF THE FOREGOING, COLLECTIVELY, THE "HOLDINGS RELEASED MATTERS"). NO HOLDINGS RELEASING PARTY SHALL COMMENCE, AID OR PARTICIPATE IN (EXCEPT TO THE EXTENT REQUIRED BY ORDER OR LEGAL PROCESS ISSUED BY A COURT OR GOVERNMENTAL AGENCY OF COMPETENT JURISDICTION) ANY LEGAL ACTION OR OTHER PROCEEDING BASED IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, UPON THE HOLDINGS RELEASED MATTERS. THIS RELEASE SHALL APPLY TO ALL UNKNOWN OR UNANTICIPATED RESULTS OF ANY ACTION OF ANY LENDER RELEASED PARTY OR THE DEBTOR WITH RESPECT OF THE HOLDINGS RELEASED MATTERS, AS WELL AS THOSE KNOWN AND ANTICIPATED.

(B) GUGGENHEIM, MVC, THE SENIOR LENDERS, THE SUBORDINATED LENDERS, THE LOAN PARTIES, AND THE PIK LENDERS, EACH FOR THEMSELVES, THEIR RESPECTIVE TRUSTEES, AFFILIATES, PREDECESSORS, SUCCESSORS, ASSIGNS, EMPLOYEES, AGENTS, ATTORNEYS, LEGAL REPRESENTATIVES, PROFESSIONALS, PARENTS, SUBSIDIARIES, EQUITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS AND ANY OTHER PERSON ACTING FOR OR ON BEHALF OF EACH OF THEM (COLLECTIVELY, THE "LENDER RELEASING PARTIES"), RELEASES, ACQUITS AND FOREVER DISCHARGES EACH OF THE EXISTING HOLDINGS UNIT HOLDERS, HOLDINGS, EACH OF THEIR RESPECTIVE TRUSTEES, AFFILIATES, EQUITY HOLDERS (INCLUDING THE AFFILIATES OF SUCH EQUITY HOLDERS) PREDECESSORS, SUCCESSORS, ASSIGNS, PARENTS AND SUBSIDIARIES, AND

EACH OF THE EMPLOYEES, AGENTS, ATTORNEYS, LEGAL REPRESENTATIVES, PROFESSIONALS, PARENTS, SUBSIDIARIES, EQUITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS OF THE FOREGOING AND ANY OTHER PERSON ACTING FOR OR ON BEHALF OF EACH OF THEM (COLLECTIVELY, THE "HOLDINGS RELEASED PARTIES") OF AND FROM ANY AND ALL CLAIMS, LIABILITIES, DEMANDS, DAMAGES, ACTIONS, CAUSES OF ACTION, RIGHTS, COSTS, LOSSES, EXPENSES, ADVERSE CONSEQUENCES, DEBTS, DEFICIENCIES, DIMINUTION IN VALUE, LIENS, AMOUNTS PAID IN SETTLEMENT, DISBURSEMENTS, COMPENSATION AND SUITS AT LAW OR IN EQUITY, OF WHATSOEVER KIND OR NATURE, IN EACH CASE, THAT ANY OF THE LENDER RELEASING PARTIES EVER HAD, NOW HAS OR HEREAFTER CAN, SHALL OR MAY HAVE BECAUSE OF ANYTHING HERETOFORE DONE, OMITTED, SUFFERED, OR ALLOWED TO BE DONE BY ANY OF THE HOLDINGS RELEASED PARTIES, WHETHER FORESEEN OR UNFORESEEN, FIXED OR CONTINGENT, DIRECT, INDIRECT OR DERIVATIVE, ASSERTED OR UNASSERTED, MATURED OR UNMATURED, LIQUIDATED OR UNLIQUIDATED, SUSPECTED OR UNSUSPECTED, OR WHETHER KNOWN OR UNKNOWN, INCLUDING, WITHOUT LIMITATION, ANY CLAIMS FOR BREACH OF CONTRACT OR ANY INTERFERENCE WITH CONTRACT, AND ANY DAMAGES AND THE CONSEQUENCES THEREOF RESULTING FOR ANY REASON WHATSOEVER, IN EACH CASE TO THE EXTENT ARISING PRIOR TO THE EFFECTIVE DATE IN CONNECTION WITH THE SENIOR CREDIT AGREEMENT, THE SUBORDINATED CREDIT AGREEMENT, THE EXISTING HOLDINGS UNITS, AND THE PIK NOTES (ALL OF THE FOREGOING, COLLECTIVELY, THE "LENDER RELEASED MATTERS"). NO LENDER RELEASING PARTIES SHALL COMMENCE, AID OR PARTICIPATE IN (EXCEPT TO THE EXTENT REQUIRED BY ORDER OR LEGAL PROCESS ISSUED BY A COURT OR GOVERNMENTAL AGENCY OF COMPETENT JURISDICTION) ANY LEGAL ACTION OR OTHER PROCEEDING AGAINST THE HOLDINGS RELEASED PARTIES BASED IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, UPON THE LENDER RELEASED MATTERS. THIS RELEASE SHALL APPLY TO ALL UNKNOWN OR UNANTICIPATED RESULTS OF ANY ACTION OF ANY HOLDINGS RELEASED PARTY TAKEN IN RESPECT OF THE LENDER RELEASED MATTERS, AS WELL AS THOSE KNOWN AND ANTICIPATED.

(C) THE DEBTOR, FOR ITSELF, AND ITS TRUSTEES, AFFILIATES, PREDECESSORS, SUCCESSORS, ASSIGNS, EMPLOYEES, AGENTS, ATTORNEYS, LEGAL REPRESENTATIVES, PROFESSIONALS, PARENTS, SUBSIDIARIES, EQUITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS AND ANY OTHER PERSON ACTING FOR OR ON BEHALF OF IT (COLLECTIVELY, THE "COMPANY RELEASING PARTIES"), RELEASES, ACQUITS AND FOREVER DISCHARGES EACH OF THE HOLDINGS RELEASED PARTIES AND THE LENDER RELEASED PARTIES AND EACH OF THE DEBTOR'S (IMMEDIATELY PRIOR TO THE RESTRUCTURING) REPRESENTATIVES, PROFESSIONALS, PARENTS, SUBSIDIARIES, EQUITY HOLDERS, MEMBERS, OFFICERS, DIRECTORS, MANAGERS AND ANY OTHER PERSON ACTING FOR OR ON BEHALF OF IT (COLLECTIVELY, THE "COMPANY REPRESENTATIVE RELEASED PARTIES"

AND TOGETHER WITH HOLDINGS RELEASED PARTIES AND THE LENDER RELEASED PARTIES, "COMPANY RELEASED PARTIES") OF AND FROM ANY AND ALL CLAIMS, LIABILITIES, DEMANDS, DAMAGES, ACTIONS, CAUSES OF ACTION, RIGHTS, COSTS, LOSSES, EXPENSES, ADVERSE CONSEQUENCES, DEBTS, DEFICIENCIES, DIMINUTION IN VALUE, LIENS, AMOUNTS PAID IN SETTLEMENT, DISBURSEMENTS, COMPENSATION AND SUITS AT LAW OR IN EQUITY, OF WHATSOEVER KIND OR NATURE, IN EACH CASE, THAT ANY OF THE COMPANY RELEASING PARTIES EVER HAD, NOW HAS OR HEREAFTER CAN, SHALL OR MAY HAVE BECAUSE OF ANYTHING HERETOFORE DONE, OMITTED, SUFFERED, OR ALLOWED TO BE DONE BY ANY OF THE COMPANY RELEASED PARTIES, WHETHER FORESEEN OR UNFORESEEN, FIXED OR CONTINGENT, DIRECT, INDIRECT OR DERIVATIVE, ASSERTED OR UNASSERTED, MATURED OR UNMATURED, LIQUIDATED OR UNLIQUIDATED, SUSPECTED OR UNSUSPECTED, OR WHETHER KNOWN OR UNKNOWN, INCLUDING, WITHOUT LIMITATION, ANY CLAIMS FOR BREACH OF CONTRACT OR ANY INTERFERENCE WITH CONTRACT, AND ANY DAMAGES AND THE CONSEQUENCES THEREOF RESULTING FOR ANY REASON WHATSOEVER, IN EACH CASE TO THE EXTENT ARISING PRIOR TO THE EFFECTIVE DATE IN CONNECTION WITH THE OPERATIONS AND MANAGEMENT OF THE DEBTOR AND EACH OF THE SENIOR CREDIT AGREEMENT, THE SUBORDINATED CREDIT AGREEMENT, THE EXISTING HOLDINGS UNITS, AND THE PIK NOTES (ALL OF THE FOREGOING, COLLECTIVELY, THE "COMPANY RELEASED MATTERS"). NO COMPANY RELEASING PARTY SHALL COMMENCE, AID OR PARTICIPATE IN (EXCEPT TO THE EXTENT REQUIRED BY ORDER OR LEGAL PROCESS ISSUED BY A COURT OR GOVERNMENTAL AGENCY OF COMPETENT JURISDICTION) ANY LEGAL ACTION OR OTHER PROCEEDING BASED IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, UPON THE COMPANY RELEASED MATTERS. THIS RELEASE SHALL APPLY TO ALL UNKNOWN OR UNANTICIPATED RESULTS OF ANY ACTION OF ANY COMPANY RELEASED PARTY TAKEN IN RESPECT OF THE COMPANY RELEASED MATTERS, AS WELL AS THOSE KNOWN AND ANTICIPATED.

(D) PURSUANT TO RULE 1.8(H) OF THE NEW YORK RULES OF PROFESSIONAL CONDUCT, NOTHING IN THE PLAN SHALL LIMIT THE LIABILITY OF THE PROFESSIONALS TO THEIR RESPECTIVE CLIENTS.

IT IS THE DEBTOR'S POSITION THAT ENTRY OF THE CONFIRMATION ORDER WILL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL PURSUANT TO SECTION 363 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019 OF THE FOREGOING RELEASES, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED HEREIN, AND FURTHER, WILL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT SUCH RELEASE IS (I) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE DEBTOR AND THE

OTHER RELEASED PARTIES, REPRESENTING GOOD FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED HEREIN; (II) IN THE BEST INTERESTS OF THE DEBTOR AND ALL HOLDERS OF CLAIMS; (III) FAIR, EQUITABLE, AND REASONABLE; (IV) APPROVED AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (V) A BAR TO ANY RELEASED CLAIM AGAINST THE DEBTOR AND THE RELEASED PARTIES OR THEIR RESPECTIVE PROPERTY

Section 11.09. Exculpation and Limitation of Liability.

TO THE EXTENT PERMITTED UNDER SECTION 1125(E) OF THE BANKRUPTCY CODE, NONE OF THE DEBTOR, THE REORGANIZED DEBTOR, THE DISBURSING AGENT, THE CONSENTING LENDERS, GUGGENHEIM, MVC, AND ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, MEMBERS, ATTORNEYS, CONSULTANTS, ADVISORS, AND AGENTS (BUT SOLELY IN THEIR CAPACITIES AS SUCH) SHALL HAVE OR INCUR ANY LIABILITY TO ANY HOLDER OF ANY CLAIM OR INTEREST FOR ANY ACT OR OMISSION UP TO AND INCLUDING THE EFFECTIVE DATE IN CONNECTION WITH, RELATED TO, OR ARISING OUT OF THE DEBTOR'S RESTRUCTURING AND THE CHAPTER 11 CASE, INCLUDING WITHOUT LIMITATION THE NEGOTIATION AND EXECUTION OF THE PLAN, THE CHAPTER 11 CASE, THE DISCLOSURE STATEMENT, THE SOLICITATION OF VOTES FOR AND THE PURSUIT OF THE PLAN, THE CONSUMMATION OF THE PLAN, OR THE ADMINISTRATION OF THE PLAN OR THE PROPERTY TO BE DISTRIBUTED UNDER THE PLAN, INCLUDING, WITHOUT LIMITATION, ALL DOCUMENTS ANCILLARY THERETO, ALL DECISIONS, ACTIONS, INACTIONS AND ALLEGED NEGLIGENCE OR MISCONDUCT RELATING THERETO AND ALL PREPETITION ACTIVITIES LEADING TO THE PROMULGATION AND CONFIRMATION OF THE PLAN EXCEPT FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT AS DETERMINED BY A FINAL ORDER OF THE BANKRUPTCY COURT. ANY OF THE FOREGOING PARTIES SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO THEIR DUTIES AND RESPONSIBILITIES UNDER THE PLAN. PURSUANT TO RULE 1.8(h) OF THE NEW YORK RULES OF PROFESSIONAL CONDUCT, NOTHING IN THE PLAN SHALL LIMIT THE LIABILITY OF THE PROFESSIONALS TO THEIR RESPECTIVE CLIENTS.

Section 11.10. Injunction Related to Releases and Exculpation.

EXCEPT AS PROVIDED IN THE PLAN, THE CONFIRMATION ORDER SHALL PERMANENTLY ENJOIN THE COMMENCEMENT OR PROSECUTION BY ANY PERSON OR ENTITY, WHETHER DIRECTLY, DERIVATIVELY OR OTHERWISE, OF ANY CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION OR LIABILITIES RELEASED PURSUANT TO THE PLAN, INCLUDING BUT NOT LIMITED TO THE CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION OR LIABILITIES RELEASED IN ARTICLE X OF THE PLAN.

Section 11.11. Administrative Expense Claims Incurred After the Confirmation Date.

Administrative Expense Claims incurred by the Reorganized Debtor after the Confirmation Date, including (without limitation) Claims for Professionals' fees and expenses incurred after such date, may be paid by the Reorganized Debtor in the ordinary course of business and without the need for approval of the Bankruptcy Court.

Section 11.12. Term of Injunctions or Stays.

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Case under Sections 105(a) or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date and thereupon shall be deemed to have expired or been superseded by the Injunctions set forth in the Plan.

ARTICLE XII

RETENTION OF JURISDICTION

Section 12.01. Exclusive Jurisdiction of Bankruptcy Court.

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction of all matters arising out of, arising in or related to, the Chapter 11 Case, the Plan and the Confirmation Order to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

(a) Allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim (whether Filed before or after the Effective Date and whether or not contingent, Disputed or unliquidated), including the compromise, settlement and resolution of any request for payment of any Claim, the resolution of any Objections to the allowance or priority of any Claim and the resolution of any dispute as to the treatment necessary to reinstate a Claim pursuant to the Plan and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim;

(b) Grant or deny any applications for allowance of compensation or reimbursement of expenses for Professionals authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;

(c) Hear and determine motions, applications, adversary proceedings, contested matters and other litigated matters pending on, Filed on or commenced after the Effective Date, including proceedings with respect to the rights of the Estate to recover Property under sections 542 or 543 of the Bankruptcy Code;

(d) Determine and resolve any matters related to the assumption, assumption and assignment or rejection of any Executory Contract or unexpired lease to which the Debtor is a

party or with respect to which the Debtor may be liable, and to hear, determine and, if necessary, liquidate any Claims arising therefrom;

(e) Ensure that all payments due under the Plan and performance of the provisions of the Plan are accomplished as provided herein and resolve any issues relating to Distributions to Holders of Allowed Claims pursuant to the provisions of the Plan;

(f) Following the Effective Date and consistent with section 1142 of the Bankruptcy Code, construe, take any action and issue such orders as may be necessary for the enforcement, implementation, execution and consummation of the Plan and all contracts, instruments, releases and other agreements or documents created in connection with the Plan and the Confirmation Order, for the maintenance of the integrity of the Plan and protection of the Estate following consummation in accordance with sections 524 and 1141 of the Bankruptcy Code;

(g) Determine and resolve any case, controversy, suit or dispute that may arise in connection with the consummation, interpretation, implementation or enforcement of the Plan or the Confirmation Order, including the indemnification, release and injunction provisions set forth in the Plan, or any Person's rights arising under or obligations incurred in connection therewith;

(h) Modify the Plan after the Effective Date pursuant to section 1127 of the Bankruptcy Code and the Plan or modify the Plan Summary, the Confirmation Order or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Plan Summary or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Plan Summary, the Confirmation Order;

(i) Issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person with consummation, implementation or enforcement of the Plan or the Confirmation Order;

(j) Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

(k) Determine any other matters that may arise in connection with or relating to the Plan, the Plan Summary, the Confirmation Order and the Bankruptcy Code;

(l) Determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(m) Continue to enforce the automatic stay through the Effective Date;

(n) Hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan, and issues presented or arising under the Plan, including but not limited to disputes among Holders or with the Reorganized Debtor and arising under agreements, documents or instruments executed in connection with or governed by the Plan;

(o) Hear and determine any other matter relating to the Plan, its interpretation or enforcement; and

(p) Enter a final decree and close the Chapter 11 Case.

Section 12.02. Non-Exclusive Jurisdiction of Bankruptcy Court.

Following the Effective Date, the Bankruptcy Court shall retain non-exclusive jurisdiction of the Chapter 11 Case to the fullest extent permitted by applicable law, including, without limitation, jurisdiction to:

(a) Recover all Property of the Estate, wherever located;

(b) Hear and determine any motions or contested matters involving Taxes, Tax refunds, Tax attributes and Tax benefits and similar or related matters with respect to any of the Debtor, arising prior to the Confirmation Date or relating to the period of administration of the Chapter 11 Case, including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code; and

(c) Hear any other matter not inconsistent with the Bankruptcy Code.

Section 12.03. Failure of Bankruptcy Court to Exercise Jurisdiction.

If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction over any matter arising under, arising in or related to the Debtor or the Chapter 11 Case, this Article shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

ARTICLE XIII

CONFIRMATION AND EFFECTIVENESS OF THE PLAN

Section 13.01. Conditions Precedent to Confirmation, Generally.

Confirmation of a plan under section 1129(a) of the Bankruptcy Code requires, among other things, that:

- the plan complies with the applicable provisions of the Bankruptcy Code;
- the proponent of the plan has complied with the applicable provisions of the Bankruptcy Code;
- the plan has been proposed in good faith and not by any means forbidden by law;
- any plan payment made or to be made by the proponent under the plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the Bankruptcy Court as reasonable;
- the proponent has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the

debtor, an affiliate of the debtor participating in the plan with the debtor, or a successor to the debtor under the plan. The appointment to, or continuance in, such office by such individual must be consistent with the interests of creditors and equity security holders and with public policy and the proponent must have disclosed the identity of any insider that the reorganized debtor will employ or retain, and the nature of any compensation for such insider;

- with respect to each impaired class of claims or interests, either each holder of a claim or interest of such class has accepted the plan, or will receive or retain under the plan, on account of such claim or interest, property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor were liquidated on such date under chapter 7 of the Bankruptcy Code;

- each class of claims or interests has either accepted the plan or is not impaired under the plan;

- except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that allowed administrative expenses and priority claims will be paid in full on the effective date (except that if a class of priority claims has voted to accept the plan, holders of such claims may receive deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amounts of such claims and that holders of priority tax claims may receive on account of such claims deferred cash payments, over a period not exceeding five (5) years after the date of assessment of such claims, of a value, as of the effective date, equal to the allowed amount of such claims);

- if a class of claims is impaired, at least one (1) impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim in such class; and

- confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan.

Subject to satisfying the standard for any potential "cramdown" of Classes deemed to reject the Plan, the Debtor believes that:

- the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code;

- the Debtor has complied or will comply with all of the requirements of chapter 11 of the Bankruptcy Code; and

- the Plan has been proposed in good faith.

Section 13.02. Conditions Precedent to Confirmation.

Confirmation of the Plan is subject to:

(a) the Disclosure Statement having been approved by the Bankruptcy Court as having adequate information in accordance with section 1125 of the Bankruptcy Code;

(b) entry of the Confirmation Order in form and substance reasonably satisfactory to the Debtor and the Required Lenders shall be in full force and effect;

(c) the Plan and related documents having been filed in substantially final form prior to the Confirmation Hearing;

(d) the representations and warranties contained in the Plan Support Agreement shall be true and correct in all material respects on the confirmation date as if made on and as of the confirmation date; and

(e) the Bankruptcy Court shall have entered an order authorizing rejection of the lease for 8700 Rex Road, Pico Rivera, California.

Section 13.03. Statutory Confirmation Requirements

Set forth below is a summary of the relevant statutory confirmation requirements.

1. Best Interest Test

Each Holder of a Claim or Interest in an Impaired Class must either (i) accept the Plan or (ii) receive or retain under the Plan Cash or property of a value, as of the Effective Date of the Plan, that is not less than the value such Holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. The Bankruptcy Court will determine whether the Cash and property issued under the Plan to each Holder of a Claim or Interest equals or exceeds the value that would be allocated to such Holders in a liquidation under chapter 7 of the Bankruptcy Code (the "Best Interest Test"). The Debtor believe the Holders of Claims against and Interests in the Debtor will have an equal or greater recovery as a result of an orderly chapter 11 reorganization as discussed herein and under the Plan than could be realized in a chapter 7 liquidation for the following reasons:

To determine the value that a Holder of a Claim or Interest in an Impaired Class would receive if the Debtor was liquidated under chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated from the liquidation of the Debtor's Property if the Debtor's Chapter 11 Case had been converted to a chapter 7 liquidation case and the Debtor's Property were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the Debtor's Property, augmented by Cash held by the Debtor and reduced by certain increased costs and Claims that arise in a chapter 7 liquidation case that do not arise in a chapter 11 reorganization case.

As explained below, the Liquidation Value available for satisfaction of Claims and Interests in the Debtor would be reduced by: (a) the costs, fees and expenses of the liquidation

under chapter 7, which would include disposition expenses and the compensation of a trustee and his or her counsel and other professionals retained, (b) the fees of the chapter 7 trustee, and (c) certain other costs arising from conversion of the Chapter 11 Case to chapter 7.

The Debtor believes that Creditors have benefited and will continue to clearly benefit from the reorganization of the Debtor under the terms of the Plan. If the Debtor's Property were liquidated by a chapter 7 trustee, the Debtor projects that the maximum recovery would be substantially less.

Moreover, under the Plan the Debtor will avoid the increased costs and expenses of a chapter 7 liquidation, including the fees payable to a chapter 7 trustee and his or her professionals. The Cash to be distributed to Creditors would be reduced by the chapter 7 trustee's statutory fee, which is calculated on a sliding scale from which the maximum compensation is determined based on the total amount of moneys disbursed or turned over by the chapter 7 trustee. Bankruptcy Code § 326(a) permits reasonable compensation not to exceed 3% of the proceeds in excess of $1 million distributable to creditors.[89] The chapter 7 trustee's professionals, including legal counsel and accountants, would add substantial administrative expenses that would be entitled to be paid ahead of Allowed Claims and Interests against the Debtor. Moreover, these chapter 7 trustee fees would reduce the funds available for distribution to the Debtor's Creditors from additional recoveries such as preferential payments, expunged Administrative Expense Claims and the proceeds of successful Estate litigation or settlement.

It is also anticipated that a chapter 7 liquidation would result in a significant delay in payments being made to Creditors. Bankruptcy Rule 3002(c) provides that conversion of a chapter 11 case to chapter 7 will trigger a new bar date for filing claims against the Debtor, and that the new bar date will be 90 days after the first date set for the meeting of creditors called under section 341 of the Bankruptcy Code. Not only would a chapter 7 liquidation delay distribution to Creditors, but it is possible that additional claims that were not asserted in the Chapter 11 Case, or were late-filed, could be filed against the Debtor. Reopening the bar date in connection with conversion to chapter 7 would provide these and other claimants an additional opportunity to timely file claims against the Estate.

For the reasons set forth above, the Debtor believes that the Plan provides a superior recovery for Holders of Claims and Interests, and the Plan meets the requirements of the Best Interest Test.

2. Financial Feasibility Test

Even if the Plan is accepted by each Class of Claims and Interests voting on the Plan, and even if the Bankruptcy Court determines that the Plan satisfies the Best Interest Test, the Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor.

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[89] Bankruptcy Code § 326(a) permits a chapter 7 trustee to receive 25% of the first $5,000 distributed to creditors, 10% of additional amounts up to $50,000, 5% of additional distributions up to $1 million and reasonable compensation up to 3% of distributions in excess of $1 million.

As part of this analysis, the Debtor has prepared projections of the financial performance of the Reorganized Debtor for each of the three calendar years from 2011 through 2015 (the "Financial Projections"). The Financial Projections, and the assumptions on which they are based, are set forth in Exhibit C hereto, and discussed in Article XIV of the Disclosure Statement.

The Debtor believes that it will be able to make all payments required pursuant to the Plan while conducting ongoing business operations and, therefore, that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization.

3. Acceptance by Impaired Classes

Bankruptcy Code § 1129(b) provides that a plan can be confirmed even if it has not been accepted by all impaired classes as long as at least one impaired class of claims has accepted it. The process by which nonaccepting classes are forced to be bound by the terms of a plan is commonly referred to as "cramdown." The Bankruptcy Court may confirm the Plan at the request of the Debtor notwithstanding the Plan's rejection (or deemed rejection) by impaired classes as long as the Plan "does not discriminate unfairly" and is "fair and equitable" as to each impaired class that has not accepted it. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to classes of equal rank.

A class of claims under a plan accepts the plan if the plan is accepted by creditors that hold at least two-thirds in amount and more than one-half in number of the allowed claims in the class that actually vote on the plan. A class of interests accepts the plan if the plan is accepted by holders of interests that hold at least two-thirds in amount of the allowed interests in the class that actually vote on a plan.

A class that is not "impaired" under a plan is conclusively presumed to have accepted the plan. Solicitation of acceptances from such a class is not required. A class is "impaired" unless (i) the legal, equitable and contractual rights to which a claim or interest in the class entitles the holder are not modified, or (ii) the effect of any default is cured and the original terms of the obligation are reinstated.

A plan is fair and equitable as to a class of secured claims that rejects the plan if the plan provides (i)(a) that the holders of claims included in the rejecting class retain the liens securing those claims, whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and (b) that each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, at least equal to the value of the holder's interest in the estate's interest in such property; (ii) for the sale, subject to Bankruptcy Code § 363(k), of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of the liens, with the liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under clause (i) or (ii) of this paragraph; or (iii) for the realization of the indubitable equivalent of such claims.

A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the plan provides (i) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed

amount of such claim, or (ii) that the holder of any claim or interest that is junior to the claims of such rejecting class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (i) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest, or (ii) that the holder of any interest that is junior to the interest of such rejecting class will not receive or retain under the plan on account of such junior interest any property at all. The Debtor believe the Plan to be both fair and equitable.

Section 13.04. Conditions Precedent to the Effective Date.

The occurrence of the Effective Date is subject to:

(a) the Confirmation Order, in form and substance reasonably satisfactory to the Debtor and the Required Lenders, shall be in full force and effect;

(b) the Plan and related documents, including the NewCo Operating Agreement, in form and substance reasonably satisfactory to the Debtor and the Required Lenders, being executed and delivered, and any conditions (other than the occurrence of the Effective Date or certification by the Debtor that the Effective Date has occurred) contained therein having been satisfied or waived in accordance therewith;

(c) all other actions and documents necessary to implement the Plan shall have been effected or executed and shall be reasonably acceptable to the Debtor and the Required Lenders;

(d) the NewCo Common Units and the Reorganized Debtor Common Units shall have been authorized in the amounts set forth in the Plan and on terms reasonably satisfactory to the Debtor and the Required Lenders;

(e) all material governmental, regulatory and third party approvals, waivers and/or consents in connection with the Plan, if any, having been obtained and remaining in full force and effect, and there existing no claim, action, suit, investigation, litigation or proceeding, pending or threatened in any court or before any arbitrator or governmental instrumentality, which would prohibit the consummation of the Plan; and

(f) an amendment to the Factoring Agreement shall have been executed and delivered and be effective in accordance with its terms, to include waivers of defaults under Section 9.1(k) and (l) related to change of control and existing defaults, if any, and to release Holdings, KLS Collection LLC and Te Amo LLC as guarantors and to continue the terms of the Factoring Agreement post-Effective Date, or another arrangement for post-petition financing reasonably acceptable to the Debtor and the Required Lenders shall have been obtained.

Section 13.05. Waiver of Conditions Precedent and Bankruptcy Rule 3020(e) Automatic Stay.

The Debtor, with the consent of the Required Lenders, shall have the right to waive one or more of the conditions precedent set forth above at any time without leave of or notice to the Bankruptcy Court and without formal action other than proceeding with confirmation of the Plan.

Section 13.06. Effect of Failure of Conditions.

If all of the conditions to effectiveness and the occurrence of the Effective Date have not been satisfied or duly waived on or before the first Business Day that is more than 60 days after the Confirmation Date, or by such later date as set forth by the Debtor in a notice filed with the Bankruptcy Court prior to the expiration of such period, then the Debtor may file a motion to vacate the Confirmation Order before all of the conditions have been satisfied or duly waived. If the Confirmation Order is vacated pursuant to this Section, the Plan shall be null and void in all respects, and nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims against or Interests in the Debtor; (b) prejudice in any manner the rights of the holder of any Claim against or Interest in the Debtor; or (c) constitute an admission, acknowledgment, offer or undertaking by any Debtor or any other entity with respect to any matter set forth in the Plan.

ARTICLE XIV

FINANCIAL INFORMATION

Section 14.01. Feasibility; Financial Projections

The Bankruptcy Code permits a plan to be confirmed only if confirmation is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Debtor has prepared projections of the financial performance of the Reorganized Debtor for each of the calendar years from 2011 through 2015 (the "Financial Projections", attached hereto as Exhibit C).

The Financial Projections are based on the assumption that the Plan will be confirmed by the Bankruptcy Court and, for projection purposes, that the Effective Date under the Plan will occur in May, 2012.

THE PROJECTIONS, INCLUDING THE UNDERLYING ASSUMPTIONS, SHOULD BE CAREFULLY REVIEWED IN EVALUATING THE PLAN. WHILE MANAGEMENT BELIEVES THE ASSUMPTIONS UNDERLYING THE PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, WERE REASONABLE WHEN PREPARED IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE CAN BE GIVEN THAT THE PROJECTIONS WILL BE REALIZED. THE DEBTOR MAKES NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF THE PROJECTIONS.

The Debtor prepared these Financial Projections based upon certain assumptions that it believes to be reasonable under the circumstances. Those assumptions considered to be significant

are described therein. The Financial Projections have not been examined or compiled by independent accountants. The Debtor makes no representation as to the accuracy of the projections or its ability to achieve the projected results. Many of the assumptions on which the projections are based are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtor and its management, and are subject to significant incremental uncertainty as a result of the scope and potential duration of the current economic recession underway both in the United States and abroad. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the actual financial results. Therefore, the actual results achieved throughout the period of the Financial Projections may vary from the projected results and the variations may be material. All Holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the financial projections are based in connection with their evaluation of the Plan.

Section 14.02. Valuation of the Debtor.

THE VALUATION INFORMATION SET FORTH IN THIS SECTION REPRESENTS A HYPOTHETICAL VALUATION OF THE REORGANIZED DEBTOR, WHICH ASSUMES THAT SUCH REORGANIZED DEBTOR CONTINUES AS AN OPERATING BUSINESS. THE ESTIMATED VALUE SET FORTH IN THIS SECTION DOES NOT PURPORT TO CONSTITUTE AN APPRAISAL OR NECESSARILY REFLECT THE ACTUAL MARKET VALUE THAT MIGHT BE REALIZED THROUGH A SALE OR LIQUIDATION OF THE REORGANIZED DEBTOR, ITS SECURITIES OR ITS ASSETS, WHICH VALUE MAY BE SIGNIFICANTLY HIGHER OR LOWER THAN THE ESTIMATE SET FORTH IN THIS SECTION.

1. Overview.

The Debtor has estimated the going concern value of the enterprise under the discounted cash flow method. The Debtor undertook this analysis to determine the value available for distribution to Holders of Allowed Claims pursuant to the Plan and to analyze the relative recoveries to such Holders thereunder. The valuation was prepared as of August 17, 2011, and is based on historical financial information from the years 2005 through 2010, and the Financial Projections provided by the Debtor's management for the years 2011 through 2015 for existing lines.

For the purpose of this valuation, the Debtor assumed no material changes that would affect the value. Based on the Financial Projections and solely for purposes of the valuation, the Debtor estimates that the estimated value on a going concern basis (the "Enterprise Value") of the Reorganized Debtor and the other subsidiary interests of Holdings before the deduction of any debt is approximately $45.2 million. The estimate of Enterprise Value does not constitute an opinion as to fairness from a financial point of view of the consideration to be received under the Plan or of the terms and provisions of the Plan.

On the Effective Date, following the contribution of the Reorganized Debtor Common Units to NewCo, the Reorganized Debtor will be a wholly owned subsidiary of NewCo and, as a result, NewCo will take on the value of the Reorganized Debtor, minus the value of any subsidiary interests not contributed to NewCo.

THE ASSUMED ENTERPRISE VALUE REFLECTS WORK PERFORMED BY THE DEBTOR USING FORWARD LOOKING ESTIMATES. ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY AFFECT THE DEBTOR'S CONCLUSIONS, THE DEBTOR DOES NOT HAVE ANY OBLIGATION TO UPDATE, REVISE OR REAFFIRM THE VALUATION.

The Financial Projections were reasonably prepared in good faith and on a basis reflecting the Debtor's most accurate currently available estimates and judgments as to the future operating and financial performance of the Reorganized Debtor. If the business performs at levels below those set forth in the Financial Projections, such performance may have a materially negative impact on Enterprise Value.

In estimating the Enterprise Value, the Debtor: (a) reviewed certain historical financial information for recent years and interim periods; (b) reviewed certain internal financial and operating data; (c) discussed operations and future prospects with its senior management team; (d) reviewed certain publicly available financial data for, and considered the market value of, public companies that were deemed generally comparable to the operating business of the Reorganized Debtor.

In addition, no other independent valuations or appraisals of the Debtor were obtained in connection herewith. Such estimates were developed solely for purposes of the formulation and negotiation of the Plan and the analysis of implied relative recoveries to Holders of Allowed Claims thereunder.

The estimated Enterprise Value of the Reorganized Debtor does not constitute a recommendation to any Holder of Allowed Claims as to how such person should vote or otherwise act with respect to the Plan. The Debtor does not express any view as to what the trading value of the Reorganized Debtor or securities would be on issuance or at any other time. The estimated Enterprise Value of the Reorganized Debtor set forth herein does not constitute an opinion as to fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and

The Debtor's estimate of Enterprise Value reflects the application of standard valuation techniques and does not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of any securities to be issued pursuant to the Plan, which may be significantly different than the amounts set forth herein. The value of an operating business is subject to numerous uncertainties and contingencies which are difficult to predict and will fluctuate with changes in factors affecting the financial condition and prospects of such a business. As a result, the estimated Enterprise Value of the Reorganized Debtor set forth herein is not necessarily indicative of actual outcomes, which may be significantly more or less favorable than those set forth herein. Neither the Reorganized Debtor nor any other person assumes responsibility for any differences between the Enterprise Value and such actual outcomes. Actual value or market prices will depend upon, among other things, the operating performance of the Reorganized Debtor, prevailing interest rates, conditions in the financial markets, developments in the Reorganized Debtor' industry and economic conditions generally, and other factors which generally influence market value or prices of securities.

2. Valuation Methodology

The following is a brief summary of the financial analyses performed to arrive at the estimated Enterprise Values for the Reorganized Debtor. In performing the financial analyses described below and certain other relevant procedures, the Debtor reviewed all significant assumptions. The valuation analysis relies solely on the discounted cash flow analysis ("DCF").

a. Discounted Cash Flow Analysis

The DCF, attached hereto as Exhibit D, is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. Our model forecasts the cash flows to invested capital that a prospective buyer would anticipate receiving through continued operations over a five year period. These invested capital cash flows are discounted to their present value and are then added to the residual or terminal value of the fifth year projected invested capital cash flow. The terminal value of the fifth year is calculated by capitalizing the invested capital cash flow in the sixth year and discounting that value to present value using the weighted average cost of capital (the "Discount Rate"). The Discount Rate reflects the estimated blended rate of return that would be required by debt and equity investors to invest in the business. The terminal value was derived by applying a long term growth rate to the final projected year of the projection period and then applying a multiple to the Reorganized Debtor's projected earnings before interest, taxes, depreciation and amortization ("EBITDA"), discounted by the Discount Rate.

To estimate the Discount Rate, the Debtor used the cost of equity and the after-tax cost of debt for the Reorganized Debtor as calculated in Exhibit D. In determining the terminal multiple, the Debtor analyzed the median EBITDA multiples of certain guideline companies.

Although formulaic methods are used to derive the key estimates for the DCF methodology, their application and interpretation involve complex considerations and judgments concerning potential variances in the projected financial and operating characteristics of the Reorganized Debtor, which in turn affect its cost of capital and terminal multiples. The Debtor calculated its DCF valuation on the Discount Rates and terminal value EBITDA multiples as indicated below.

DISCOUNTED CASH FLOW ASSUMPTIONS

	Discount Rate	Terminal Multiple
Existing Lines	15%	6.0x

In applying the above methodology, the detailed Financial Projections for the period beginning January 1, 2011 and ending December 31, 2015 were used to derive unlevered after-tax free cash flows. Free cash flows include sources and uses of cash not reflected in the income statement, such as changes in working capital and capital expenditures. For purposes of the DCF, the Reorganized Debtor is assumed to be a full taxpayer at the applicable regional corporate income tax rates (the effective tax rate is assumed to be 40%). These cash flows, along with the

terminal value, are discounted back to the assumed Effective Date using the range of Discount Rates described above to arrive at a range of Enterprise Values.

b. **Best Interests Test**

With respect to each Impaired Class of Claims and Interests, confirmation of the Plan requires that each Holder of a Claim or Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. To determine what Holders of Claims in each Impaired Class would receive if the Debtor were liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in the context of liquidation under chapter 7 of the Bankruptcy Code. The Cash amount that would be available for satisfaction of Claims and Interests would consist of the proceeds resulting from the disposition of assets and properties of the Debtor, augmented by the Cash held by the Debtor at the time of the commencement of the liquidation case. Such Cash amount would be (i) first, reduced by the amount of the Allowed secured lender Claims, if any, (ii) second, reduced by the total amount of post-petition accounts payable and accrued expenses less all non-claims, (iii) third, reduced by the amount of any other priority Claims, (iv) fourth, reduced by the costs and expenses of liquidation and such additional Administrative Expense Claims that might result from the termination of the Debtor's business and the use of chapter 7 for the purposes of liquidation, and (v) fifth, reduced by the Debtor's costs of liquidation under chapter 7, including the fees payable to a trustee in bankruptcy, as well as those fees that might be payable to attorneys and other Professionals that such a trustee might engage. In addition, Claims would arise by reason of the breach or rejection of obligations incurred and leases and Executory Contracts assumed or entered into by the Debtor prior to the filing of the chapter 7 case.

To determine if the Plan is in the best interests of each Impaired Class, the present value of the distributions from the proceeds of a liquidation of the Debtor's assets and Property, after subtracting the amounts attributable to the foregoing claims, must be compared with the value of the property offered to such Classes of Claims under the Plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Debtor's Chapter 11 Case, the Debtor has determined that confirmation of the Plan will provide each Holder of an Allowed Claim with a recovery that is not less than such Holder would receive pursuant to the liquidation of the Debtor under chapter 7.

The Debtor has prepared a liquidation analysis which is annexed hereto as Exhibit E (the "Liquidation Analysis"). The information set forth in Exhibit E provides (a) a summary of the liquidation values of the Debtor's assets, assuming a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtor's estate, and (b) the expected recoveries of the Debtor's creditors under the Plan. The Liquidation Analysis indicates that Holders of General Unsecured Claims would, after payment of liquidation costs and expenses, receive a recovery of 0% on their Claims in a liquidation scenario. Similarly, Holders of General Unsecured Claims are receiving a recovery of approximately 0% under the Plan. Thus, Holders of General Unsecured Claims would not receive a higher recovery in a liquidation.

The Liquidation Analysis is based upon a number of estimates and assumptions that, although developed and considered reasonable by the Debtor's management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtor and its management. The Liquidation Analysis also is based on assumptions with regard to liquidation decisions that are subject to change and significant economic and competitive uncertainties and contingencies beyond the control of the Debtor and its management. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the results of a liquidation of the Debtor. Accordingly, the values reflected might not be realized if the Debtor was, in fact, to be liquidated. The chapter 7 liquidation period is assumed to last several months following the appointment of a chapter 7 trustee, allowing for, among other things, the discontinuation and wind-down of operations, the sale of the operations, the sale of assets and the collection of receivables. All Holders of Claims that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Liquidation Analysis is based in connection with their evaluation of the Plan.

ARTICLE XV

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain federal income tax consequences expected to result from the consummation of the Plan. This discussion is only for general information purposes and only describes the expected tax consequences to Holders entitled to vote on the Plan. It is not a complete analysis of all potential federal income tax consequences and does not address any tax consequences arising under any state, local or foreign tax laws or federal estate or gift tax laws. This discussion is based on the Internal Revenue Code of 1986, as amended, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS, all as in effect on the date of the Disclosure Statement. These authorities may change, possibly retroactively, resulting in federal income tax consequences different from those discussed below. No ruling has been or will be sought from the IRS, and no legal opinion of counsel will be rendered, with respect to the matters discussed below. There can be no assurance that the IRS will not take a contrary position regarding the federal income tax consequences resulting from the consummation of the Plan or that any contrary position would not be sustained by a court.

This discussion does not address all federal income tax considerations that may be relevant to a particular Holder in light of that Holder's particular circumstances or to Holders subject to special rules under the federal income tax laws, such as financial institutions, insurance companies, brokers, dealers or traders in securities, commodities or currencies, tax-exempt organizations, tax-qualified retirement plans, partnerships and other pass-through entities, foreign corporations, foreign trusts, foreign Estate, Holders who are not citizens or residents of the U.S., Holders subject to the alternative minimum tax, and Holders who have a functional currency other than the U.S. dollar.

HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THE CONSUMMATION OF THE PLAN, AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER ANY STATE, LOCAL OR FOREIGN TAX LAWS, OR ANY OTHER FEDERAL TAX LAWS.

TO COMPLY WITH INTERNAL REVENUE SERVICE CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT (a) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THE DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A TAXPAYER UNDER THE INTERNAL REVENUE CODE, (b) ANY SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN, AND (c) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Payments of interest, dividends and certain other payments are generally subject to backup withholding at the rate of 28% unless the payee of such payment furnishes such payee's correct taxpayer identification number (social security number or employer identification number) to the payor. The Debtor may be required to withhold the applicable percentage of any payments made to a Holder who does not provide his, her or its taxpayer identification number. Backup withholding is not an additional tax, but an advance payment that may be refunded to the taxpayer by the IRS to the extent that the backup withholding results in an overpayment of tax by such taxpayer in such taxable year.

THE FOREGOING DISCUSSION OF FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN DESCRIBED HEREIN. NEITHER THE DEBTOR NOR ITS PROFESSIONALS WILL HAVE ANY LIABILITY TO ANY PERSON OR HOLDER ARISING FROM OR RELATED TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN OR THE FOREGOING DISCUSSION.

Section 15.01. Consequences to Holders of Allowed Senior Lender First-Out Obligation Claims, Allowed Senior Lender Second-Out Obligation Claims and NewCo.

Pursuant to the Plan, each Holder of an Allowed Senior Lender First-Out Obligation Claim and Allowed Senior Lender Second-Out Obligation Claim shall receive a share of the Reorganized Debtor Common Units in exchange for such Allowed Senior Lender First-Out Obligation Claim and Allowed Senior Lender Second-Out Obligation Claim (the "Exchange"). Following receipt of its share of the Reorganized Debtor Common Units, each Holder of an Allowed Senior Lender First-Out Obligation Claim and each Holder of an Allowed Senior Lender Second-Out Obligation Claim shall contribute such Reorganized Debtor Common Units to NewCo in exchange of the NewCo Common Units. (Holders of Allowed Senior Lender First-Out Obligation Claims and Holders of Allowed Senior Lender Second-Out Obligation Claims shall collectively be referred to in this section as "Common Unit Holders"; and Allowed Senior First Lender First-Out Obligation Claims and Allowed Senior First Lender Second-Out Obligation Claims shall be collectively referred to in this section as "Allowed Senior Claims").

Prior to the Exchange, the Debtor was a limited liability company wholly owned by Holdings and the Debtor was disregarded for federal tax purposes as an entity separate from its owner under Treas. Reg. § 301.7701-3. As a result, pursuant to Situation 1 of Revenue Ruling 99-5, 1999-1 CB 434, each Common Unit Holder will be deemed to have purchased its proportionate share of the assets of the Debtor. Immediately thereafter, each Common Unit Holder will be deemed to contribute its respective interests in the assets of the Debtor to a new partnership (the "New Partnership") in exchange for ownership interests in the New Partnership.

Assuming the Exchange is considered an exchange of the debt held by the Common Unit Holders for interests in the underlying assets of Debtor, each Common Unit Holder will recognize gain or loss on the Exchange equal to the difference between (i) the amount realized (i.e., the fair market value of the proportionate share of the assets received) in respect to its Allowed Senior Claim (other than the amounts allocable to accrued interest) and (ii) such Common Unit Holder's adjusted tax basis in the First-Out Obligations or Second-Out Obligations, as the case may be. See IRC § 1001 and the Regulations thereunder.

Under IRC §721 (a), no gain or loss will be recognized by the Common Unit Holders deemed contribution to the New Partnership. Under IRC § 722, the new member's basis in the New Partnership is equal to the value of the assets contributed to the New Partnership. Pursuant to IRC § 723, the New Partnership basis in the assets will be equal to the basis of the assets contributed.

The character of any gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss recognized by a Common Unit Holder will be determined by a number of factors, including, but not limited to, the following: (a) the tax status of the Common Unit Holder; (b) whether the obligation from which the Allowed Senior Claim arose constitutes a capital asset of the Common Unit Holder; (c) whether the obligation from which the Allowed Senior Claim arose has been held for more than one year or was purchased at a discount; (d) whether the Common Unit Holder is a financial institution or other entity entitled to special treatment under the United States federal income tax laws; (e) whether and to what extent the Common Unit Holder has previously claimed a bad debt deduction in respect of the obligation from which the Allowed Senior Claim arose; and (f) if any of the consideration received in exchange for the debt is treated as interest income to the Common Unit Holder.

The contribution of the Reorganized Debtor Common Units by the Common Unit Holders to NewCo in exchange of the NewCo Common Units will be deemed a contribution pursuant to IRC § 721 where no gain or loss shall be recognized by the Common Unit Holders as it is a contribution of property to a partnership in exchange for an interest in the partnership. Under IRC § 722, the member's basis in NewCo is equal to the value of the assets contributed to NewCo. Pursuant to IRC § 723, NewCo's basis in the assets will be equal to the basis of the assets contributed.

Under the LLC Agreement, the members of NewCo will then file Form 8832 with the IRS and elect to be treated as a C corporation for federal income tax purposes effective the day after the Effective Date. Upon NewCo's election to be treated as a C corporation for federal income tax purposes, NewCo will be deemed to have contributed all of its assets and liabilities to an association treated as a C corporation in exchange for stock in the association, and immediately

thereafter, NewCo will be deemed to have liquidated, and distributed the stock of the association to its members. Reg. §301.7701-3 (g). The deemed transfer of the partnership interests in NewCo in exchange for a deemed controlling interest in the stock of NewCo will be exempt from tax pursuant to IRC § 351 and no gain or loss would be recognized to the members of NewCo on the conversion of NewCo to a corporation. Under IRC § 358, the member's basis in the newly issued stock of NewCo will equal to the basis of the assets deemed transferred to the association. Pursuant to IRC § 362, NewCo's basis in its assets will be the same as it was in NewCo before the election to be treated as a C corporation for federal income tax purposes was made.

The foregoing is the intended treatment of the transaction pursuant to the Plan. The IRS, however, may assert a different treatment. Should the IRS take the position that the Exchange should be treated as the Common Unit Holder transferring its interest in debt in exchange for an interest in a partnership (a debt-for-equity exchange), the partnership will be treated as having satisfied the indebtedness with an amount equal to the fair market value of the partnership interest. If the IRS position is sustained, pursuant to IRC § 721, the contribution of a partnership's debt by a creditor to the partnership in exchange for an interest in the partnership (debt-for-equity exchange) will result in neither the creditor nor the partnership recognizing any gain or loss from the Exchange. See Treas. Reg. §1.108-8. Therefore, if the fair market value of Reorganized Debtor Common Units received by a Common Unit Holder is less than such Common Unit Holder's respective share of the First-Out Obligations or Second-Out Obligations, as the case may be, such Common Unit Holder cannot immediately claim a bad debt loss. Instead, the Common Unit Holder will receive a tax basis in the partnership interest equal to its tax basis in the First-Out Obligations or Second-Out Obligations, as the case may be. The Common Unit Holder can only claim a loss when it ultimately disposes of the Reorganized Debtor Common Units, instead of claiming a bad debt loss when the exchange occurs. IRC § 721 shall not apply and gain or loss will be recognized to the extent that the equity in the partnership is used to satisfy unpaid rent, royalties or interest on indebtedness (including accrued original issue discount) that accrued on or after the beginning of the creditor's holding period for the debt.

Common Unit Holders should consult their own tax advisors to determine the United States federal income tax consequences of the consummation of and the receipt of the Reorganized Debtor Common Units under the Plan.

Section 15.02. Consequences to the Debtor.

Subject to certain exceptions, a debtor recognizes cancellation of debt ("COD") income upon satisfaction of its outstanding indebtedness equal to the excess of (i) the amount of the indebtedness discharged, over (ii) the issue price of any new indebtedness issued, the amount of cash paid, and the fair market value of any other consideration (including stock of the debtor) given in satisfaction of the indebtedness. As discussed below, there is an insolvency exception to the recognition of COD income which will apply to Holdings in connection with the Plan.[9][10]

[9][10] Since the Debtor is currently a disregarded entity, any COD income will be realized by its owner, Holdings and for purposes of determining whether Holdings is insolvent, Holdings will be treated as owning the Debtor's assets and liabilities.

Holdings will not be required to include COD income to the extent Holdings is insolvent at the time of the discharge. IRC § §108(a)(1)(B) and 108(a)(3).

However, under IRC § 108(b)(2), Holdings must reduce certain tax attributes (in general, first its Net Operating Loss carryovers and then certain tax credits, capital loss carryovers, the tax basis of its assets, and foreign tax credits) by the amount of COD income excluded from gross income by this exception. In addition, pursuant to Rev. Rul. 92-52, 1992 CB 34, Holdings will recognize gain to the extent the value of the Debtor's assets exceeds Holdings' basis in those assets.

ARTICLE XVI

SECURITIES LAW MATTERS

Section 16.01. General.

The Plan provides for the issuance and distribution of the NewCo Common Units by NewCo and the Reorganized Debtor Common Units by the Reorganized Debtor. The Debtor believes that the NewCo Common Units and the Reorganized Debtor Common Units constitute "securities," as defined in Section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code, and applicable state securities laws.

Section 16.02. NewCo Common Units and Reorganized Debtor Common Units.

1. Issuance of the NewCo Common Units and the Reorganized Debtor Common Units.

The Debtor believes that the offer and sale of the NewCo Common Units and the Reorganized Debtor Common Units pursuant to the Plan will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon the exemptions set forth in Section 1145 of the Bankruptcy Code or, if applicable, in reliance on the exemption from registration set forth in Section 4(2) of the Securities Act or Regulation D promulgated under the Securities Act by the SEC.

Section 1145 of the Bankruptcy Code provides that Section 5 of the Securities Act and any state law requirements for the offer and sale of a security do not apply to the offer or sale of stock, options, warrants or other securities by a debtor if (a) the offer or sale occurs under a plan of reorganization, (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor, and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property. In reliance upon section 1145 of the Bankruptcy Code, the NewCo Common Units and the Reorganized Debtor Common Units will not be registered under the Securities Act or any state securities laws.

The Debtor believes that the offer and sale of any securities to be issued in conjunction with the Plan to which the exemption provided under Section 1145 of the Bankruptcy Code is not

applicable will be exempt from registration pursuant to the nonpublic offering exemption under Section 4(2) of the Securities Act or equivalent exemptions under state securities laws.

2. Resale of the NewCo Common Units and the Reorganized Debtor Common Units: Securities Law Restrictions.

a. Section 1145 of the Bankruptcy Code

The Debtor further believes that subsequent transfers of the NewCo Common Units and the Reorganized Debtor Common Units by the Holders thereof that are not "underwriters," as defined in Section 2(a)(11) of the Securities Act and Section 1145(b)(1) of the Bankruptcy Code, will be exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code and applicable state securities laws. In addition, the NewCo Common Units and the Reorganized Debtor Common Units generally may be able to be resold without registration under state securities laws pursuant to various exemptions provided by the respective laws of those states; however, the availability of such exemptions cannot be known unless individual state securities laws are examined. Therefore, recipients of the NewCo Common Units and the Reorganized Debtor Common Units are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirements or conditions to such availability.

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer," (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such claim or interest, or (b) offers to sell securities offered or sold under a plan for the holders of such securities, or (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan, or (d) is an issuer of the securities within the meaning of Section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of Section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a Person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to Section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter contained in Section 2(a)(11), is intended to cover "controlling persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "controlling person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. Moreover, the legislative history of section 1145 of the

Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of a class of securities of a reorganized debtor may be presumed to be a "controlling person" and, therefore, an underwriter.

Resale of the NewCo Common Units and the Reorganized Debtor Common Units by Persons deemed to be "underwriters" (which definition includes "controlling person") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of the NewCo Common Units and the Reorganized Debtor Common Units who are deemed to be "underwriters" may be entitled to resell their NewCo Common Units and the Reorganized Debtor Common Units pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such person if current information regarding the issuer is publicly available and if volume limitations, manner of sale requirements and certain other conditions are met. However, the Reorganized Debtor does not presently intend to make publicly available the requisite information regarding the Reorganized Debtor and, as a result, Rule 144 will not be available for resales of the NewCo Common Units and the Reorganized Debtor Common Units by persons deemed to be underwriters.

Whether any particular Person would be deemed to be an "underwriter" (including whether such Person is a "controlling person") with respect to the NewCo Common Units and the Reorganized Debtor Common Units would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtor expresses no view as to whether any Person would be deemed an "underwriter" with respect to the NewCo Common Units and the Reorganized Debtor Common Units. In view of the complex nature of the question of whether a particular Person may be an underwriter, the Debtor makes no representations concerning the right of any Person to freely resell the NewCo Common Units and the Reorganized Debtor Common Units.

b. Section 4(2) of the Securities Act

If the Bankruptcy Court does not find that Section 1145 of the Bankruptcy Code is applicable to the issuance of any such securities under the Plan, the Debtor believes that any such issuance of such securities would be exempt pursuant to Section 4(2) of the Securities Act, as a transaction by an issuer not involving any public offering, and equivalent exemptions in state securities laws.

Securities issued pursuant to the exemption provided by Section 4(2) of the Securities Act are considered "restricted securities." As a result, resales of such securities may not be exempt from the registration requirements of the Securities Act or other applicable law.

Securities offered and sold pursuant to Section 4(2) of the Securities Act may be publicly resold if and when they are registered under the Securities Act (and under any state securities law that require registration) or if an exemption from registration is available to the holder of such securities, such as pursuant to the resale provisions of Rule 144 under the Securities Act, and such holder demonstrates the availability of such exemption to the reasonable satisfaction of the issuer of those securities.

THE DEBTOR STRONGLY RECOMMENDS THAT POTENTIAL RECIPIENTS OF THE NEWCO COMMON UNITS AND THE REORGANIZED DEBTOR COMMON UNITS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES WITHOUT COMPLIANCE WITH THE FEDERAL AND STATE SECURITIES LAWS.

ARTICLE XVII

SUMMARY OF VOTING PROCEDURES

The Disclosure Statement, including all Exhibits hereto and the related materials included herewith, is being furnished to the Holders of Claims in Classes 2, 3, and 4, which are the only Classes entitled to vote on the Plan.

All votes to accept or reject the Plan must be cast by using the ballot (the "Ballot") enclosed with the Disclosure Statement. No other votes will be counted. Consistent with the provisions of Bankruptcy Rule 3018, the Debtor have fixed February 24, 2012 at 4:00 p.m. (prevailing Eastern Time) as the Voting Record Date. Ballots must be RECEIVED by counsel for the Debtor at the address set forth below (or as otherwise directed) no later than 4:00 p.m. (prevailing Eastern Time) on April 12, 2012, unless the Debtor, at any time, subject to the consent of the Required Lenders, extends such date by oral or written notice, in which event the period during which Ballots will be accepted will terminate at 4:00 p.m. (prevailing Eastern Time) on such extended date.

If the Ballot is damaged or lost, you may contact counsel for the Debtor at the number set forth below.

Ballots received by facsimile, telecopy or other means of electronic transmission will not be accepted, except as otherwise agreed by the Debtor with the consent of the Required Lenders.

Ballots previously delivered may be withdrawn or revoked at any time prior to the Voting Deadline by the beneficial owner on the Voting Record Date who completed the original Ballot. Only the person or nominee who submits a Ballot can withdraw or revoke that Ballot. A Ballot may be revoked or withdrawn either by submitting a superseding Ballot or by providing written notice to counsel for the Debtor.

Acceptances or rejections may be withdrawn or revoked prior to the Voting Deadline by delivering a written notice of withdrawal or revocation to counsel for the Debtor. To be effective, notice of revocation or withdrawal must: (a) be received on or before the Voting Deadline by counsel for the Debtor at its address specified below; (b) specify the name of the Holder of the Claim whose vote on the Plan is being withdrawn or revoked; (c) contain the description of the Claim as to which a vote on the Plan is withdrawn or revoked; and (d) be signed by the Holder of the Claim who executed the Ballot reflecting the vote being withdrawn or revoked, in the same manner as the original signature on the Ballot. The foregoing procedures should also be followed with respect to a person entitled to vote on the Plan who wishes to change (rather than revoke or withdraw) its vote.

If you have any questions concerning voting procedures, you may contact counsel for the Debtor at:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
65 East 55th Street
New York, New York 10022
Attention: Jordanna L. Nadritch
Telephone: (212) 451-2300

ARTICLE XVIII

CERTAIN FACTORS TO BE CONSIDERED REGARDING THE PLAN

Holders of Claims and Interests against the Debtor should read and consider carefully the factors set forth below, as well as the other information set forth in the Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

Section 18.01. Certain Bankruptcy Considerations.

1. General.

Although the Plan is designed to minimize the length of time remaining in the Chapter 11 Case, it is impossible to predict with certainty the amount of time that the Debtor may spend in bankruptcy or to assure parties-in-interest that the Plan will be confirmed.

Even if the Plan is confirmed on a timely basis, the Chapter 11 Case could have an adverse effect on the Debtor's business. Among other things, it is possible that any delays could adversely affect the Debtor's relationships with its key vendors and suppliers, customers and employees. If the Debtor is unable to obtain confirmation of the Plan on a timely basis because of a challenge to confirmation of the Plan or a failure to satisfy the conditions to consummation of the Plan, the Debtor may be forced to continue the Chapter 11 Case for an extended period while the Debtor tries to develop a different reorganization plan that can be confirmed. That would increase both the probability and the magnitude of the potentially adverse effects described herein.

2. Failure to Receive Requisite Acceptances.

Classes 2, 3, and 4 are the only Classes that are entitled to vote to accept or reject the Plan. If the requisite acceptances are not received by at least one Impaired Class, the Debtor will not be able to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code, because at least one Impaired Class will not have voted in favor of the Plan as required by section 1129(a)(10) of the Bankruptcy Code. Further, if the requisite acceptances are not received, the Debtor may seek to accomplish an alternative restructuring of their capitalization and obligations to creditors and obtain acceptances to an alternative plan of reorganization for the Debtor, or otherwise, the Debtor may be required to liquidate the Estate under chapter 7 or 11 of the Bankruptcy Code. There can

be no assurance that the terms of any such alternative restructuring arrangement or plan would be similar to or as favorable to the Debtor's Creditors as those proposed in the Plan.

3. Failure to Confirm the Plan.

Even if the requisite acceptances are received, the Bankruptcy Court, which, as a court of equity may exercise substantial discretion, may decide not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtor, and that the value of distributions to dissenting Holders of Claims and Interests may not be less than the value such Holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtor believes that the Plan meets such test, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Additionally, the contemplated solicitation must comply with the requirements of section 1125 of the Bankruptcy Code and the applicable Bankruptcy Rules with respect to the length of the solicitation period and the adequacy of the information contained in the Disclosure Statement.

4. Failure to Consummate the Plan.

One condition to consummation of the Plan is the entry of the Confirmation Order that will approve, among other things, the assumption of a substantial number of the majority of the Debtor's Executory Contracts and unexpired leases. As of the date of the Disclosure Statement, there can be no assurance that these or the other conditions to consummation will be satisfied or waived. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

5. Objections to Classification of Claims.

Section 1122 of the Bankruptcy Code provides that a plan of reorganization may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtor believes that the classification of Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Section 18.02. Risks Relating to the NewCo Common Units and the Reorganized Debtor Common Units

1. Ability to Service Debt.

Although the Reorganized Debtor will have less indebtedness than the Debtor, the Reorganized Debtor will still have significant obligations to service its customers. The Debtor's business is highly concentrated with a few customers, and the loss of any one customer could cause significant disruption to the Debtor's ongoing business. The Reorganized Debtor's ability to make payments on and to refinance its debt, and the Reorganized Debtor's other obligations, will depend on its future financial and operating performance and its ability to generate Cash in the future. This, to a certain extent, is subject to general economic, business, financial, competitive, legislative, regulatory and other factors that are beyond the control of the Reorganized Debtor.

There can be no assurance that the Reorganized Debtor will be able to generate sufficient cash flow from operations or that sufficient future borrowings will be available to pay off the Reorganized Debtor's debt obligations.

2. The Valuation of the NewCo Common Units and the Reorganized Debtor Common Units is Not Intended to Represent the Trading Value of the NewCo Common Units and the Reorganized Debtor Common Units.

The valuation of the Reorganized Debtor, set forth herein, is not intended to represent the trading values of the NewCo Common Units and the Reorganized Debtor Common Units in public or private markets.

3. Section 1145 of the Bankruptcy Code and Section 4(2) of the Securities Act May be Deemed Inapplicable

As discussed above, the Debtor believes that the offer and sale of the NewCo Common Units and the Reorganized Debtor Common Units pursuant to the Plan will be issued without registration under the Securities Act or any similar federal, state, or local law in reliance upon the exemptions set forth in Section 1145 of the Bankruptcy Code or, if applicable, in reliance on the exemption set forth in Section 4(2) of the Securities Act or Regulation D promulgated under the Securities Act by the SEC. Should the exemptions in Section 1145 of the Bankruptcy Code and Section 4(2) of the Securities Act be deemed inapplicable to the issuance of the NewCo Common Units and the Reorganized Debtor Common Units, the Debtor or the Reorganized Debtor may need to issue such securities pursuant to a registration statement fulfilling applicable registration requirements.

Section 18.03. Certain Tax Consequences of the Plan Raise Unsettled and Complex Legal Issues and Involve Factual Determinations.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor currently does not intend to seek any ruling from the IRS on the tax consequences of the Plan. Even if the Debtor decides to request a ruling, there would be no assurance that the IRS would rule favorably or that any ruling would be issued before the Effective Date. In addition, in such case, there would still be issues with significant uncertainties, which would not be the subject of any ruling request. *Thus, there can be no assurance that the IRS will not challenge the various positions the Debtor has taken, or intends to take, with respect to the tax treatment in the Plan, or that a court would not sustain such a challenge.*

As a result of the consummation of the Plan and the transactions contemplated thereby, the Reorganized Debtor believes it will be subject to the fresh-start accounting rules. Fresh-start accounting allows for the assessment of every balance sheet account for possible fair value adjustment, resulting in the emergence of a new company recapitalized and revalued. This process is guided by purchase price allocation standards under GAAP.

In addition, the contents of the Disclosure Statement should **not** be construed as legal, business or tax advice. Each Holder of a Claim or Interest should consult his, her, or its own legal

counsel and accountant as to legal, tax and other matters concerning his, her, or its Claim or Interest.

The Disclosure Statement is **not** legal advice to you. The Disclosure Statement may **not** be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

Section 18.04. Risks Associated with the Business.

1. The Debtor's Chapter 11 Case May Negatively Impact the Debtor's Future Operations.

While the Debtor believes it will be able to emerge from chapter 11 relatively expeditiously, there can be no assurance as to timing for approval of the Plan or the Debtor's emergence from chapter 11.

2. The Debtor Rely on a Limited Number of Key Suppliers and Vendors to Operate its Business.

Currently, the shipments of the Debtor's suppliers are adequate to supply the Debtor's needs. However, if the Debtor experience future problems with the suppliers, the Debtor could become unable to operate its business successfully.

3. The Loss of One or More of the Debtor's Key Personnel Could Disrupt Operations and Adversely Affect Financial Results.

The Debtor is highly dependent upon the availability and performance of their senior management. Accordingly, the loss of services of any of the Debtor's senior management could materially adversely affect the Debtor's business, financial condition and operating results.

4. Legal Matters.

The Debtor is party to routine litigation incidental to business. It is not anticipated that any current or pending lawsuit, either individually or in the aggregate, is likely to have a material adverse effect on the Debtor's financial condition. However, no assurances can be provided that the Debtor will be able to successfully defend or settle all pending or future purported claims, and the Debtor's failure to do so may have a material adverse effect on the Reorganized Debtor.

ARTICLE XIX

MISCELLANEOUS PROVISIONS

Section 19.01. Binding Effect of Plan.

The provisions of the Plan shall be binding upon and inure to the benefit of the Debtor, any Holder of any Claim or Interest treated herein and each of their respective heirs, executors, administrators, representatives, predecessors, successors, assigns, agents, officers and directors,

and, to the fullest extent permitted under the Bankruptcy Code and other applicable law, each other Person affected by the Plan.

Section 19.02. ~~Section 19.01.~~ Severability.

Should the Bankruptcy Court determine prior to entry of the Confirmation Order, that any provision of the Plan is either illegal or unenforceable on its face or illegal or unenforceable as applied to any Claim or Interest, such provision shall be unenforceable as to all Holders of Claims or Interests or to the specific Holder of such Claim or Interest, as the case may be, as to which the provision is illegal. Unless otherwise determined by the Bankruptcy Court, such a determination shall in no way limit or affect the enforceability and operative effect of any other provisions of the Plan. The Debtor reserves the right not to proceed with Confirmation and/or consummation of the Plan if any such ruling occurs.

Section 19.03. ~~Section 19.02.~~ Governing Law.

Except to the extent that the Bankruptcy Code or Bankruptcy Rules or other federal laws are applicable, and subject to the provisions of any contract, instrument, release, or other agreement or document entered into in connection with the Plan, the construction, implementation and enforcement of the Plan and all rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the state of New York, without giving effect to conflicts of law principles which would apply the law of a jurisdiction other than the state of New York or the United States of America.

~~**Section 19.03. Access.**~~

~~From the Effective Date, the Reorganized Debtor shall cooperate with any Person that served as a member of the Debtor at any time prior to the Effective Date (collectively, the "Accessing Parties"), and make available to any Accessing Party, subject to applicable confidentiality and privilege concerns, such documents, books, records or information relating to the Debtor's activities prior to the Effective Date that such Accessing Party may reasonably require in connection with the defense or preparation for the defense of any claim against such Accessing Party relating to any action taken in connection with such Accessing Party's role as a member of the Debtor.~~

Section 19.04. Amendments.

1. Plan Modifications.

The Plan may be amended, modified, or supplemented by the Debtor, with the consent of the Required Lenders, in the manner provided for by section 1127 of the Bankruptcy Code, or as otherwise permitted by law, without additional disclosure pursuant to section 1125 of the Bankruptcy Code, except as otherwise ordered by the Bankruptcy Court. In addition, after the Confirmation Date, so long as such action does not materially and adversely affect the treatment of holders of Allowed Claims pursuant to the Plan, the Debtor may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan,

the Plan Documents and/or the Confirmation Order, with respect to such matters as may be necessary to carry out the purposes and effects of the Plan.

2. Other Amendments.

Prior to the Effective Date, the Debtor may make appropriate technical adjustments and modifications to the Plan, with the consent of the Required Lenders, without further order or approval of the Bankruptcy Court; provided, however, that such technical adjustments and modifications do not adversely affect in a material way the treatment of holders of Claims or Interests.

Section 19.05. Revocation or Withdrawal of the Plan.

The Debtor reserves the right to revoke or withdraw the Plan prior to the Effective Date, with the consent of the Required Lenders. If the Debtor takes such action, the Plan shall be deemed null and void.

Section 19.06. Confirmation Order.

The Confirmation Order shall, and is hereby deemed to, ratify all transactions effected by the Debtor during the period commencing on the Commencement Date and ending on the Confirmation Date, except for any acts constituting willful misconduct or fraud.

Section 19.07. Section 1125(e) of the Bankruptcy Code.

The Debtor has, and upon confirmation of the Plan shall be deemed to have, solicited acceptances of the Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and the Debtor (and its affiliates, agents, members, employees, advisors, and attorneys) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, and purchase of the securities offered and sold under the Plan, and therefore, to the extent permitted by Section 1125(e) of the Bankruptcy Code, are not, and on account of such offer, issuance, sale, solicitation, and/or purchase will not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or offer, issuance, sale, or purchase of the securities offered and sold under the Plan.

Section 19.08. Notices.

Any notice required or permitted to be provided under the Plan shall be in writing and served by either prepaid (i) certified mail, return receipt requested, (ii) hand delivery, or (iii) overnight delivery service, to be addressed as follows:

If to the Debtor or Reorganized Debtor:

Olshan Grundman Frome Rosenzweig & Wolosky LLP
Counsel for BP Clothing LLC
Park Avenue Tower
65 East 55th Street

New York, NY 10022
Attn: Michael Fox, Esq.
Jordanna Nadritch, Esq.

With a copy to:

BP Clothing LLC
3424 Garfield Avenue
Commerce, California 90040
Attention: Steven Feiner

Section 19.09. Filing of Additional Documents.

On or before substantial consummation of the Plan, or such later time as may be authorized by the Bankruptcy Court, the Debtor is authorized to issue, execute, deliver or File with the Bankruptcy Court or record any agreements and other documents, and take any action as may be necessary or appropriate to effectuate, consummate and further evidence implementation of the terms and conditions of the Plan.

Section 19.10. Time.

Unless otherwise specified herein, in computing any period of time prescribed or allowed by the Plan, the day of the act or event from which the designated period begins to run shall not be included. The last day of the period so computed shall be included, unless it is not a Business Day, in which event the period runs until the end of next succeeding day that is a Business Day. Otherwise, the provisions of Bankruptcy Rule 9006 shall apply.

Section 19.11. Exhibits/Schedules.

All exhibits and schedules to the Plan and any Plan Supplement are incorporated into and constitute a part of the Plan as if fully set forth herein.

Section 19.12. Defenses with Respect to Impaired or Unimpaired Claims.

Except as otherwise specifically provided in the Plan, nothing shall affect the parties' rights and/or legal and equitable defenses with respect to any Impaired or Unimpaired Claim, including but not limited to all rights relating to legal and equitable defenses to setoffs or recoupments against any Unimpaired Claim.

Section 19.13. No Injunctive Relief.

No Claim shall be entitled to specific performance or other injunctive, equitable or other prospective relief except as may be specified in the Plan.

Section 19.14. No Admissions.

Notwithstanding anything herein to the contrary, prior to the Effective Date, nothing contained in the Plan shall be deemed an admission by any party with respect to any matter set

forth herein, including, without limitation, liability on any Claim or the propriety of any classification of any Claim; provided, however, that the provisions of the Plan shall be treated as admissions under the Federal Rules of Evidence upon the Effective Date.

Section 19.15. Extension of Time.

Any period of time or deadline under the Plan may be extended by agreement of the parties affected thereby, or by order of the Bankruptcy Court upon good cause shown.

Section 19.16. Committees.

As of the Effective Date, any official committee appointed in this Chapter 11 Case will terminate and the members thereof and the professionals retained by such committee shall be released and discharged from their respective fiduciary obligations.

Section 19.17. Payment of Statutory Fees.

All fees payable on or before the Effective Date pursuant to section 1930 of title 28 of the United States Code, and any applicable interest thereon, shall be paid by the Debtor on or before the Effective Date, and all such fees payable after the Effective Date shall be paid by the applicable Reorganized Debtor as and when such fees become due. Any deadline for filing Administrative Expense Claims shall not apply to fees payable pursuant to section 1930 of title 28 of the United States Code.

Section 19.18. Other Fees and Expenses

The Debtor shall be liable for reimbursement to each of Guggenheim, MVC, the Consenting Lenders, and each of the PIK Lenders for all costs and expenses incurred in connection with (i) the Senior Credit Agreement, Subordinated Credit Agreement, the PIK Notes and the negotiation, preparation, execution and delivery of the Plan Support Agreement and related term sheet, the negotiation and preparation of the Plan and the documents contemplated thereunder, and (ii) the transactions contemplated by the Plan Support Agreement and related term sheet, and the Plan, including in each case, without limitation, reasonable fees and disbursements and other charges of counsel to Guggenheim and MVC and counsel to the PIK Lenders, through the Effective Date (it being understood and agreed that the fees, costs, expenses, disbursements and other charges of each such party following the Petition Date shall be reasonable in light of such party's interests in the Plan, including all of the rights and privileges contemplated by the Term Sheet to be provided in favor of such party); provided, however, that the reimbursement to: (a) the PIK Lenders shall not exceed $25,000 for reimbursement accrued following the commencement of the Chapter 11 Case; and (b) the Consenting Lenders, other than the PIK Lenders, shall not exceed $25,000.

Section 19.19. Conflict.

To the extent that terms of Confirmation Order or the Plan are inconsistent with the Disclosure Statement or any agreement entered into between the Debtor and any other party pursuant to the Plan, the terms of the Plan control the Disclosure Statement and any such agreement.

Section 19.20. Reservation of Rights

Except as expressly set forth herein, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. None of the filing of the Plan, any statement or provision contained herein, or the taking of any action by the Debtor with respect to the Plan shall be or shall be, deemed to be, an admission or waiver of any rights of the Debtor with respect to any Claims or Interests prior to the Effective Date.

ARTICLE XX

ALTERNATIVES TO CONFIRMATION OF THE PLAN

If the Plan is not consummated, the Debtor's capital structure will remain over-leveraged and the Debtor will remain unable to service its debt obligations. Accordingly, if the Plan is not confirmed and consummated, the alternatives include:

1. Liquidation Under the Bankruptcy Code.

The Debtor could be liquidated under chapter 7 of the Bankruptcy Code. The Debtor believes that liquidation would result in lower aggregate distributions being made to creditors than those provided for in the Plan, which is demonstrated by the Liquidation Analysis set forth in Article XIV and attached as Exhibit C to the Disclosure Statement.

2. Alternative Plan(s) of Reorganization.

The Debtor believes that failure to confirm the Plan will lead inevitably to expensive and protracted Chapter 11 Case. In formulating and developing the Plan, the Debtor has explored numerous other alternatives and engaged in an extensive negotiating process with the Consenting Lenders.

The Debtor believes that not only does the Plan fairly adjust the rights of various Classes of Claims, but also that the Plan provides superior recoveries to the Debtor's Creditors over any alternative capable of rational consideration (such as a chapter 7 liquidation), thus enabling many stakeholders to maximize their returns. Rejection of the Plan in favor of some alternative method of reconciling the Claims and Interests will require, at the very least, an extensive and time consuming process (including the possibility of protracted and costly litigation) and will not result in a better recovery for any Class of Claims or Interests.

THE DEBTOR BELIEVES THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ANY ALTERNATIVE BECAUSE THE PLAN MAXIMIZES THE AMOUNT OF DISTRIBUTIONS TO ALL HOLDERS OF CLAIMS AND INTERESTS AND ANY ALTERNATIVE TO CONFIRMATION OF THE PLAN WILL RESULT IN SUBSTANTIAL DELAYS IN THE DISTRIBUTION OF ANY RECOVERIES. **THEREFORE, THE DEBTOR RECOMMENDS THAT ALL HOLDERS OF IMPAIRED CLAIMS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.**

3. Dismissal of the Debtor's Chapter 11 Case.

Dismissal of the Debtor's Chapter 11 Case would have the effect of restoring (or attempting to restore) all parties to the status quo ante. Upon dismissal of the Debtor's Chapter 11 Case, the Debtor would lose the protection of the Bankruptcy Code, thereby requiring, at the very least, an extensive and time consuming process of negotiation with the creditors of the Debtor, and possibly resulting in costly and protracted litigation in various jurisdictions. The Debtor believes that these actions would seriously undermine its ability to obtain financing and could lead ultimately to the liquidation of the Debtor under chapter 7 of the Bankruptcy Code. Therefore, the Debtor believes that dismissal of the Debtor's Chapter 11 Case is not a viable alternative to the Plan.

ARTICLE XXI

CONCLUSION

The Debtor believes that confirmation and implementation of the Plan is preferable because it will provide the greatest recovery to Holders of Claims. Other alternatives could involve significant delay, uncertainty and substantial administrative costs and are likely to reduce any return to creditors who hold Claims. The Debtor urges the Holders of Impaired Claims in Classes 2, 3, and 4 who are entitled to vote on the Plan, to vote to accept the Plan and to evidence such acceptance by returning their Ballots to counsel for the Debtor so that they will be received not later than 4:00 p.m. (prevailing Eastern Time) on April 12, 2012.

Dated: New York New York
~~February 28,~~April 19, 2012

Respectfully submitted,

BP CLOTHING LLC

By: _/s/ Kevin Weber_______________
KEVIN WEBER
Executive Vice President and Chief Financial Officer for BP Clothing LLC

Counsel:

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