THIS IS NOT A SOLICITATION OF VOTES ON THE PLAN. VOTES MAY NOT BE SOLICITED UNTIL THE BANKRUPTCY COURT HAS APPROVED A DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re PACIFIC SUNWEAR OF CALIFORNIA, INC., a California corporation, *et al.*,[1] Debtors.	Chapter 11 Case No.: 16-10882 (___) (Joint Administration Requested)

DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION OF PACIFIC SUNWEAR OF CALIFORNIA, INC. AND SUBSIDIARY DEBTORS

Michael R. Nestor, Esq. (Bar No. 3526)
Joseph M. Barry, Esq. (Bar No. 4221)
Maris J. Kandestin, Esq. (Bar No. 5294)
Shane M. Reil, Esq. (Bar No. 6195)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Tel: (302) 571-6600
Fax: (302) 571-1253
Email: mnestor@ycst.com
jbarry@ycst.com
mkandestin@ycst.com
sreil@ycst.com

Michael L. Tuchin, Esq.
David M. Guess, Esq.
Jonathan M. Weiss, Esq.
Sasha M. Gurvitz, Esq.
KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 Avenue of the Stars, 39th Floor
Los Angeles, CA 90067
Tel: (310) 407-4029
Fax: (310) 407-9090
Email: mtuchin@ktbslaw.com
dguess@ktbslaw.com
jweiss@ktbslaw.com
sgurvitz@ktbslaw.com

Proposed Counsel for the Debtors and Debtors in Possession

[1] The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Pacific Sunwear of California, Inc. (9463-CA); Miraloma Borrower Corporation (0381-Del.); and Pacific Sunwear Stores Corp. (5792-CA). The Debtors' address is 3450 East Miraloma Avenue, Anaheim, CA 92806.

DISCLAIMER

THIS DISCLOSURE STATEMENT PROVIDES INFORMATION REGARDING THE JOINT PLAN OF REORGANIZATION OF PACIFIC SUNWEAR OF CALIFORNIA, INC. AND SUBSIDIARY DEBTORS THAT THE DEBTORS ARE SEEKING TO HAVE CONFIRMED BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES TO, AND CONFIRMATION OF, THE PLAN AND MAY NOT BE RELIED ON FOR ANY OTHER PURPOSE. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION OR RECOMMENDATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF, OR ARE INCONSISTENT WITH, SUCH DOCUMENTS.

ALTHOUGH THE DEBTORS HAVE MADE EVERY EFFORT TO BE ACCURATE, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN THE SUBJECT OF AN AUDIT OR OTHER REVIEW BY AN ACCOUNTING FIRM. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN THE TERMS AND PROVISIONS IN THE PLAN, THIS DISCLOSURE STATEMENT, THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT, OR THE FINANCIAL INFORMATION INCORPORATED HEREIN OR THEREIN BY REFERENCE, THE PLAN SHALL GOVERN FOR ALL PURPOSES. ALL HOLDERS OF CLAIMS SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN. ALTHOUGH THE DEBTORS HAVE MADE AN EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES COULD REASONABLY BE EXPECTED TO AFFECT MATERIALLY THE RECOVERY UNDER THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT CERTAIN EVENTS DO OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY FEDERAL, STATE, LOCAL, OR FOREIGN REGULATORY AGENCY, NOR HAS THE SEC OR ANY OTHER SUCH AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT. PERSONS OR ENTITIES HOLDING OR TRADING IN, OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING, SECURITIES OF OR CLAIMS AGAINST THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THE DEBTORS MAKE STATEMENTS IN THIS DISCLOSURE STATEMENT THAT ARE CONSIDERED FORWARD-LOOKING STATEMENTS UNDER FEDERAL SECURITIES LAWS. STATEMENTS CONCERNING THESE AND OTHER MATTERS ARE NOT GUARANTEES OF THE DEBTORS' FUTURE PERFORMANCE. SUCH FORWARD-LOOKING STATEMENTS REPRESENT THE DEBTORS' ESTIMATES AND ASSUMPTIONS ONLY AS OF THE DATE SUCH STATEMENTS WERE MADE AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER UNKNOWN FACTORS THAT COULD IMPACT THE DEBTORS' RESTRUCTURING PLANS OR CAUSE THE ACTUAL RESULTS OF THE DEBTORS TO BE MATERIALLY DIFFERENT FROM THE HISTORICAL RESULTS OR FROM ANY FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. IN ADDITION TO STATEMENTS THAT EXPLICITLY DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO CONSIDER STATEMENTS LABELED WITH THE TERMS "BELIEVES," "BELIEF," "EXPECTS," "INTENDS," "ANTICIPATES," "PLANS," OR SIMILAR TERMS TO BE UNCERTAIN AND FORWARD-LOOKING. THERE CAN BE NO ASSURANCE THAT THE RESTRUCTURING TRANSACTION DESCRIBED HEREIN WILL BE CONSUMMATED. CREDITORS AND OTHER INTERESTED PARTIES SHOULD SEE THE SECTION OF THIS DISCLOSURE STATEMENT ENTITLED "RISK FACTORS" FOR A DISCUSSION OF CERTAIN FACTORS THAT MAY AFFECT THE FUTURE FINANCIAL PERFORMANCE OF THE REORGANIZED DEBTORS.

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THE DEBTORS HEREBY ADOPT AND INCORPORATE EACH EXHIBIT ATTACHED TO THIS DISCLOSURE STATEMENT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN

I. INTRODUCTION

Pacific Sunwear of California, Inc. ("Parent"), Pacific Sunwear Stores Corp. ("PS Stores"), and Miraloma Borrower Corporation ("Miraloma"), debtors and debtors in possession (the "Debtors") in the above-captioned chapter 11 cases (the "Chapter 11 Cases") hereby submit this disclosure statement (the "Disclosure Statement") pursuant to sections 1125 and 1126(b) of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), in connection with the solicitation of votes on the *Joint Plan of Reorganization of Pacific Sunwear of California, Inc. and Subsidiary Debtors*, dated April 10, 2016 (as amended, supplemented, and modified from time to time pursuant to its terms, the "Plan"). A copy of the Plan is attached hereto as **Exhibit A**.[2] The Plan constitutes a separate chapter 11 plan for each of the Debtors.

The purpose of this Disclosure Statement is to enable creditors whose Claims are Impaired under the Plan and who are entitled to vote to make an informed decision in exercising their right to accept or reject the Plan. This Disclosure Statement sets forth certain information regarding the Debtors' prepetition operating and financial history, their reasons for seeking protection and reorganization under chapter 11 of the Bankruptcy Code, and the anticipated organization, operations, and financing of the Reorganized Debtors following their successful emergence from bankruptcy protection. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of Confirmation of the Plan, certain risk factors associated with the Plan, the business of the Debtors and Reorganized Debtors, the securities that may be issued under the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the Confirmation process and the voting procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

A. Preliminary Statement

The Debtors are a leading specialty retail destination for men's and women's apparel, accessories, and footwear inspired by the unique and diverse influences of the California lifestyle. Rooted in the action sports, fashion, and music heritage of California, the Debtors operate a retail and e-commerce business selling a combination of branded and proprietary casual merchandise designed to appeal to teens and young adults. Through their retail store business, the Debtors operate approximately 593 retail locations nationwide under the names "Pacific Sunwear" and "PacSun," which stores are principally in mall locations. Through their e-commerce business, the Debtors operate an e-commerce site at www.pacsun.com.

B. Overview of the Restructuring Support Agreement and Plan

On April 6, 2016, the Debtors entered into a Restructuring Support Agreement with the Term Loan Agent and the Term Loan Lenders. The Restructuring Support Agreement sets forth the commitments of the Debtors and the Consenting Term Loan Parties to support the Plan and establishes milestones that contemplate confirmation of the plan within 120 days. Importantly, the

[2] All capitalized terms used but not defined herein shall have the meanings provided to such terms in the Plan. The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between the summary herein and the Plan, the Plan shall govern.

Restructuring Support Agreement paves a clear path towards a going concern transaction with a significantly deleveraged balance sheet.

1. General Structure of the Plan

The Plan provides for the issuance of 100% of the new common stock in Reorganized Parent (the "New Parent Interests") to PS Holdings of Delaware, LLC - Series A and PS Holdings of Delaware, LLC - Series B, in their capacity as Holders of Term Loan Claims (the "Term Loan Lenders"), in exchange for a portion of the Term Loan Claims, with the remaining portion of the Term Loan Claims to be converted into a New Term Loan. In addition, the Term Loan Lenders (or their Affiliates) will consummate a minimum of a $20 million investment upon consummation of the Plan to fund ongoing operations, in the form of debt, equity, or a combination of debt and equity.

The Plan also contemplates the Debtors' solicitation of higher or otherwise better bids for the New Parent Interests or for all or substantially all of the Debtors' assets in accordance with the Bidding Procedures. If no Qualified Bid, which must yield sufficient proceeds to pay the DIP Claims, the ABL Claims, and the Term Loan Claims in full in cash and otherwise satisfy the requirements set forth in the Bidding Procedures, is received, the Term Loan Lenders will be deemed the Winning Bidder and the Debtors will proceed immediately with solicitation and confirmation of the Plan. If a Qualified Bid is received, an auction will be conducted. If the auction yields a highest and best bid from a party other than the Term Loan Lenders, the Debtors and the Winning Bidder will proceed either to confirm the Plan, as modified, or closing of the sale pursuant to Bankruptcy Code section 363, and the Term Loan Claims will be paid in full, in cash upon consummation of the sale or the Plan, as modified.

The Plan provides for the payment in full of all Administrative Claims, Allowed Priority Tax Claims, and Priority Non-Tax Claims, and the satisfaction of all Other Secured Claims, consistent with section 1129 of the Bankruptcy Code. The Plan also provides for the reinstatement of the Mortgage Notes Claims, and for payment in full (without postpetition interest, late fees, or penalties) of Qualified Unsecured Trade Claims, subject to entry into a Qualified Support Agreement. The Plan further provides for a Cash payment to Holders of Allowed General Unsecured Claims of $400,000 to be distributed Pro Rata among Holders of Allowed General Unsecured Claims. Existing Parent Interests will be cancelled under the Plan. With respect to ABL Claims, the Plan contemplates that the ABL Facility will receive Cash in an amount equal to the amount of Allowed ABL Claims. The Debtors will into a New ABL Facility to fund ongoing operations and obligations under the Plan, including to pay or refinance the DIP Facility Claims.

THE DEBTORS BELIEVE THAT THE PLAN IS FAIR AND EQUITABLE, WILL MAXIMIZE THE VALUE TO THESE ESTATES, IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CONSTITUENTS, AND WILL ENABLE THE DEBTORS TO SUCCESSFULLY REORGANIZE AND ACCOMPLISH THE OBJECTIVES OF CHAPTER 11.

FOR THESE REASONS, THE DEBTORS URGE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE TO TIMELY RETURN THEIR BALLOTS AND TO VOTE TO ACCEPT THE PLAN.

2. Material Terms of the Plan

The following is an overview of certain material terms of the Plan:

- The Debtors will reorganize pursuant to the Plan and continue in operation following the Effective Date.

- The Term Loan Claims shall be Allowed (together with any interest, fees (including, without limitation, any prepayment fees), costs and other obligations, charges or amounts paid, incurred or accrued prior to the Petition Date), and, on the Effective Date, (i) if the Holders of the Term Loan Claims are the Winning Bidder, the Holders of the Term Loan Claims shall receive 100 percent of the New Parent Interests and the New Term Loan, and (ii) if the Term Loan Lenders are not the Winning Bidder, the Holders of the Term Loan Claims shall receive Cash in an amount equal to the amount of Allowed Term Loan Claims.

- The ABL Claims shall be Allowed, and, on the Effective Date, Holders of the ABL Claims shall receive Cash in an amount equal to the amount of outstanding Allowed ABL Claims.

- DIP Facility Claims shall be Allowed in the full amount outstanding under the DIP Facility Credit Agreement, including principal, interest, fees, and expenses. On the Effective Date, Holders of the DIP Facility Claims shall be paid in Cash in an amount equal to the amount of the DIP Facility Claims.

- All Allowed Other Secured Claims, Administrative Claims, Priority Tax Claims, and Priority Non-Tax Claims will be paid or otherwise satisfied in full as required by the Bankruptcy Code, unless otherwise agreed to by the Debtors and the Holders of such Claims.

- Mortgage Notes Claims against Parent, PS Stores, and Miraloma will be reinstated as of the Effective Date.

- Except to the extent that a Holder of an Allowed Qualified Unsecured Trade Claim agrees to less favorable treatment, each Holder of an Allowed Qualified Unsecured Trade Claim shall receive payment in full on account of such Qualified Unsecured Trade Claim in the following manner: (i) 50% of the amount owed will be repaid on the Effective Date; and (ii) 50% of the amount owed will be repaid on December 15, 2016. Holders of Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees, or penalties on account of such Claims.

- Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the each Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive its Pro Rata share of the General Unsecured Claims Recovery Pool; provided that, on the Effective Date, Holders of Term Loan Claims shall be deemed to have waived their right to receive any

distribution from the General Unsecured Claims Recovery Pool on account of such Term Loan Claims.

- On the Effective Date, Parent Interests shall be cancelled and discharged. Holders of Parent Interests shall not receive any distribution on account of such Interests. For the avoidance of doubt, Intercompany Interests will be Reinstated as of the Effective Date.

3. Summary of Treatment of Claims and Interests Under the Plan

The table below summarizes the classification and treatment of the Claims and Interests under the Plan. The Plan does not substantively consolidate the Debtors. Rather, the classification scheme set forth herein and in the Plan constitutes a separate Class for each Debtor individually, unless otherwise noted.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.

Class	Claim/Interest	Summary of Treatment	Projected Recovery
1	Other Secured Claims	Unimpaired; Not Entitled to Vote (Presumed to Accept)	100%
2	Priority Non-Tax Claims	Unimpaired; Not Entitled to Vote (Presumed to Accept)	100%
3	ABL Claims	Unimpaired; Not Entitled to Vote (Presumed to Accept)	100%
4	Term Loan Claims	Impaired / Unimpaired; May be Entitled to Vote	[__]%
5A	Mortgage Notes Claims Against Parent	Unimpaired; Not Entitled to Vote (Presumed to Accept)	100%
5B	Mortgage Notes Claims Against PS Stores	Unimpaired; Not Entitled to Vote (Presumed to Accept)	100%
5C	Mortgage Notes Claims Against Miraloma	Unimpaired; Not Entitled to Vote (Presumed to Accept)	100%
6	Qualified Unsecured Trade Claims	Impaired; Entitled to Vote	100%

7	General Unsecured Claims	Impaired; Entitled to Vote	Approximately 0.50% to approximately 1.80% based on currently available information.
8	Section 510(b) Claims	Impaired; Not Entitled to Vote (Deemed to Reject)	0%
9	Intercompany Claims	Unimpaired; Not Entitled to Vote (Presumed to Accept)	100%
10	Intercompany Interests	Unimpaired; Not Entitled to Vote (Presumed to Accept)	100%
11	Parent Interests	Impaired; Not Entitled to Vote (Deemed to Reject)	0%

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AGAINST THE DEBTORS AND THUS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

C. Plan Voting Instructions and Procedures

1. Voting Rights

Under the Bankruptcy Code, acceptance of the Plan by a Class of Claims is determined by calculating the number and the amount of Allowed Claims voting to accept, based on the actual total Allowed Claims voting on the Plan. Acceptance by a Class of Claims requires more than one-half of the number of total voting Allowed Claims in the Class to vote in favor of the Plan and at least two-thirds in dollar amount of the total Allowed Claims in the Class to vote in favor of the Plan.

Under the Bankruptcy Code, only Classes of Claims or Interests that are "Impaired" and that are not deemed as a matter of law to have rejected a plan under Section 1126 of the Bankruptcy Code are entitled to vote to accept or reject the Plan. Any Class that is "Unimpaired" is not entitled to vote to accept or reject the Plan and is conclusively presumed to have accepted the Plan. As set forth in Section 1124 of the Bankruptcy Code, a Class is "Impaired" if the legal, equitable, or contractual rights attaching to the Claims or Interests of that Class are modified or altered. Any Class of Claims or Interests that does not receive or retain any property under the Plan on account of such Claims or Interests is deemed to have rejected the Plan.

Pursuant to the Plan, Classes 6 and 7 are Impaired under the Plan. Each Holder of a Claim in such Classes is entitled to vote to accept or reject the Plan. Class 4 may be Impaired under the Plan if not paid in full in cash and in such case each Holder of a Claim in such Class is entitled to vote to accept or reject the Plan. Only the Holder of a Claim as of [DATE], 2016 (the "Voting Record Date"), may vote to accept or reject the Plan.

Pursuant to the Plan, Claims in Classes 1, 2, 3, 5, 9 and 10 are Unimpaired by the Plan, and such Holders are conclusively presumed to have accepted the Plan and are therefore not entitled to vote on the Plan. In addition, Claims in Class 4 are Unimpaired if Holders of Claims in such Class are paid in full in cash.

Pursuant to the Plan, Claims and Interests in Classes 8 and 11 will not receive or retain any property under the Plan on account of such Claims or Interests, as applicable, and are, therefore, deemed to reject the Plan and are not entitled to vote on the Plan.

2. Solicitation Materials

The Debtors have, subject to Court approval, engaged Prime Clerk LLC (the "Voting Agent") to serve as the voting agent to process and tabulate Ballots for each Class entitled to vote on the Plan and to generally oversee the voting process. The following materials shall constitute the solicitation package (the "Solicitation Package"):

- This Disclosure Statement, including the Plan and all other Exhibits annexed thereto;
- The Bankruptcy Court order approving this Disclosure Statement (the "Disclosure Statement Order");
- The notice of, among other things, (i) the date, time, and place of the hearing to consider Confirmation of the Plan and related matters and (ii) the deadline for filing objections to Confirmation of the Plan (the "Confirmation Hearing Notice");
- One or more Ballots, as applicable, to be used in voting to accept or to reject the Plan, and applicable voting instructions (the "Voting Instructions");
- A pre-addressed, postage pre-paid return envelope; and
- Such other materials as the Bankruptcy Court may direct or approve.

The Debtors, through the Voting Agent, will distribute the Solicitation Package in accordance with the Disclosure Statement Order. The Solicitation Package is also available at the Debtors' restructuring website at https://cases.primeclerk.com/pacsun.

Prior to the Confirmation Hearing, the Debtors intend to file a Plan Supplement that includes, among other things, (i) the Assumed Executory Contracts and Unexpired Lease List as well as the estimated Cure for each contract or lease on that list, (ii) the stockholders agreement and corporate governance documents of the Reorganized Debtors, (iii) the identities of the members of the New Board accompanied by any disclosures required by section 1129(a)(5) of the Bankruptcy Code in connection therewith, (iv) terms of the New Money Investment, and (v) the commitment letter or term sheet for the New ABL Facility. As the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available on the Debtors' restructuring website at https://cases.primeclerk.com/pacsun.

If you are the Holder of a Claim and believe that you are entitled to vote on the Plan, but you did not receive a Ballot or your Ballot is damaged or illegible, or if you have any questions

concerning voting procedures, you should contact the Voting Agent by writing to Pacific Sunwear Ballot Processing, c/o Prime Clerk LLC, 830 3rd Avenue, 3rd Floor, New York, NY 10022. If the reason that you did not receive a Ballot is because your Claim is subject to a pending claim objection and you wish to vote on the Plan, you must file a motion pursuant to Bankruptcy Rule 3018 with the Bankruptcy Court for the temporary allowance of your Claim for voting purposes by [DATE], 2016, or you will not be entitled to vote to accept or reject the Plan.

THE DEBTORS AND THE REORGANIZED DEBTORS, AS APPLICABLE, RESERVE THE RIGHT THROUGH THE CLAIM OBJECTION PROCESS TO OBJECT TO ANY CLAIM.

3. Voting Instructions and Procedures

All votes to accept or reject the Plan must be cast by using the Ballots enclosed with the Solicitation Packages. No votes other than ones using such Ballots will be counted, except to the extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed [DATE], 2016 as the Voting Record Date for the determination of the Holders of Claims who are entitled to (i) receive a Solicitation Package and (ii) vote to accept or reject the Plan. The Voting Record Date and all of the Debtors' solicitation and voting procedures shall apply to all of the Debtors' Creditors and other parties in interest.

If you are a Holder of a Claim in a Class that is entitled to vote, after carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying Ballot.

The deadline to vote on the Plan is [DATE], 2016 at 5:00 p.m. (prevailing Eastern Time) (the "Voting Deadline"). In order for your vote to be counted, your Ballot must be properly completed, in accordance with the Voting Instructions on the Ballot, and received no later than the Voting Deadline at the following address:

Pacific Sunwear Ballot Processing
c/o Prime Clerk LLC
830 3rd Avenue, 3rd Floor
New York, NY 10022

Only the Holders of Claims in Classes 6 and 7 (and potentially Class 4) as of the Voting Record Date are entitled to vote to accept or reject the Plan, and they may do so by completing the appropriate Ballots and returning them in the envelope provided to the Voting Agent so as to be actually received by the Voting Agent by the Voting Deadline. Each Holder of a Claim must vote its entire Claim within a particular Class either to accept or reject the Plan and may not split such votes. If multiple Ballots are received from the same Holder with respect to the same Claim prior to the Voting Deadline, the last timely received, properly executed Ballot will be deemed to reflect that voter's intent and will supersede and revoke any Ballot previously received. The Ballots will clearly indicate the appropriate return address. It is important to follow the specific instructions provided on each Ballot.

Unless otherwise provided in the Voting Instructions accompanying the Ballots, the following Ballots will not be counted in determining whether the Plan has been accepted or rejected:

- Any Ballot that fails to clearly indicate an acceptance or rejection, or that indicates both an acceptance and a rejection of the Plan;
- Any Ballot received after the Voting Deadline, except if the Debtors have granted an extension of the Voting Deadline with respect to such Ballot or by order of the Bankruptcy Court;
- Any Ballot containing a vote that the Bankruptcy Court determines was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code;
- Any Ballot that is illegible or contains insufficient information to permit the identification of the Claim Holder;
- Any Ballot cast by a Person or Entity that does not hold a Claim in the voting Class with respect to which the Ballot is cast; and
- Any Ballot without an original signature.

Any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change its vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. If more than one timely, properly completed Ballot is received, only the last timely received Ballot will be counted for purposes of determining whether the requisite acceptances have been received. Any party who has delivered a properly completed Ballot for the acceptance or rejection of the Plan that wishes to withdraw such acceptance or rejection rather than changing its vote may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. To be valid, a notice of withdrawal must (i) contain the description of the Claims to which it relates and the aggregate principal amount represented by such Claims, (ii) contain the original signature of the withdrawing party, (iii) contain a certification that the withdrawing party owns the Claims and possesses the right to withdraw the vote sought to be withdrawn, and (iv) be actually received by the Voting Agent prior to the Voting Deadline.

ALL BALLOTS ARE ACCOMPANIED BY VOTING INSTRUCTIONS. IT IS IMPORTANT THAT THE HOLDER OF A CLAIM IN THE CLASSES ENTITLED TO VOTE FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED WITH EACH BALLOT.

If you have any questions about (i) the procedure for voting your Claim, (ii) the Solicitation Package that you have received, or (iii) the amount of your Claim, or if you wish to obtain, at your own expense (unless otherwise specifically required by Bankruptcy Rule 3017(d)), an additional copy of the Plan, this Disclosure Statement, or any appendices or Exhibits to such documents, please contact the Voting Agent at the address specified above. Copies of the Plan, Disclosure Statement, and other documents filed in these Chapter 11 Cases may be obtained free of charge on the Voting Agent's website at https://cases.primeclerk.com/pacsun. Documents filed in these Chapter 11 Cases

may also be examined between the hours of 8:00 a.m. and 4:00 p.m., prevailing Eastern Time, Monday through Friday, at the Office of the Clerk of the Bankruptcy Court, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801.

The Voting Agent will process and tabulate Ballots for the Classes entitled to vote to accept or reject the Plan and will file a voting report (the "Voting Report") as soon as reasonably practicable after the Voting Deadline. The Voting Report will, among other things, describe every Ballot that does not conform to the Voting Instructions or that contains any form of irregularity, including, but not limited to, those Ballots that are late, illegible (in whole or in material part), unidentifiable, lacking signatures, lacking necessary information, or damaged.

THE DEBTORS URGE HOLDERS OF CLAIMS WHO ARE ENTITLED TO VOTE TO TIMELY RETURN THEIR BALLOTS AND TO VOTE TO ACCEPT THE PLAN BY THE VOTING DEADLINE.

4. Confirmation Hearing and Deadline for Objections to Confirmation

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 Bankruptcy Court has scheduled the Confirmation Hearing to commence on [DATE], 2016 at [TIME] (prevailing Eastern Time), before the Honorable [_____], United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 5th Floor, Wilmington, Delaware 19801. The Confirmation Hearing Notice, which sets forth the time and date of the Confirmation Hearing, has been included along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to Confirmation of the Plan must be filed and served on the Debtors and certain other entities, all in accordance with the Confirmation Hearing Notice, so that they are actually received by no later than [DATE], 2016 at [TIME] (prevailing Eastern Time). Unless objections to Confirmation of the Plan are timely served and filed in compliance with the Disclosure Statement Order, which is attached to this Disclosure Statement, they may not be considered by the Bankruptcy Court.

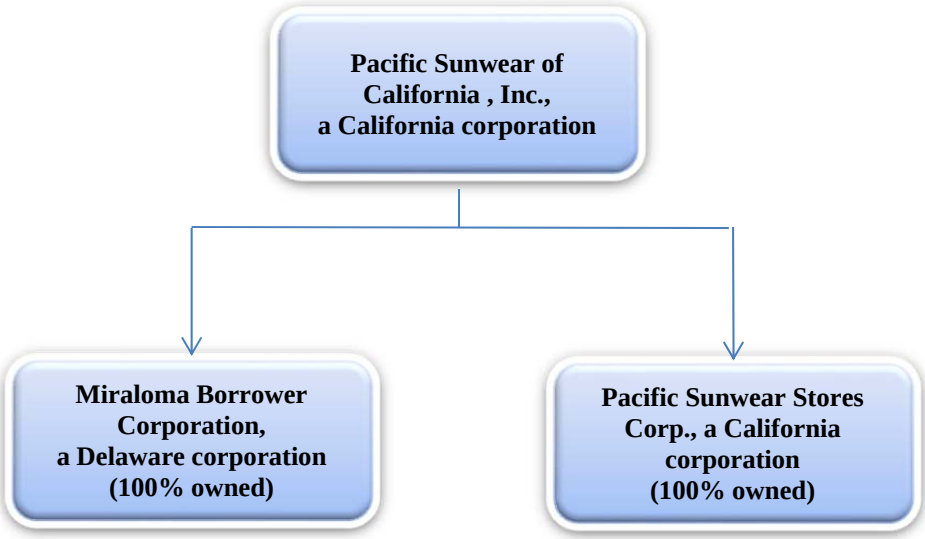
II. GENERAL INFORMATION ABOUT THE DEBTORS

A. Background

The Debtors are a leading specialty retail destination for men's and women's apparel, accessories, and footwear inspired by the unique and diverse influences of the California lifestyle. Rooted in the action sports, fashion, and music heritage of California, the Debtors operate a retail and e-commerce business selling a combination of branded and proprietary casual merchandise designed to appeal to teens and young adults. Through their retail store business, the Debtors operate approximately 593 retail locations nationwide under the names "Pacific Sunwear" and "PacSun," which stores are principally in mall locations. Through their e-commerce business, the Debtors operate an e-commerce site at www.pacsun.com.

B. Corporate Structure

Parent, one of the Debtors, is a California corporation that was incorporated in August 1982. The other Debtors are wholly-owned subsidiaries of Parent: (i) Miraloma Borrower Corporation, a Delaware corporation and (ii) Pacific Sunwear Stores Corp., a California corporation. The following chart illustrates the corporate structure of the Debtors as of the Petition Date:



The Debtors are governed by an eight-member Board of Directors. The current members of the Board of Directors are Chairman Peter M. Starrett, Neale Attenborough, Brett C. Brewer, David F. Filler, Michael Goldstein, Josh Olshansky, Frances P. Philip, and Gary H. Schoenfeld. Other than Mr. Schoenfeld, all of the members of the Board of Directors are independent directors. Mr. Attenborough and Mr. Olshansky are appointees of the Term Loan Lenders. The Debtors' management team includes Mr. Schoenfeld as President and Chief Executive Officer; Craig E. Gosselin as Secretary and Senior Vice President and General Counsel and Human Resources; Chris Tedford as Vice President and Interim Chief Financial Officer; Ernie Sibal as Vice President, Real Estate, Construction & Strategy, Jonathan Brewer as Senior Vice President, Product Development

and Supply Chain; Alfred Chang as Senior Vice President, Men's Merchandising; and Brieane Breuer as Senior Vice President, Women's Merchandising and Design.

C. Business Overview

Founded in 1982 in Newport Beach, California as a surf shop, the Debtors operate in the teen and young adult retail sector, selling men's and women's apparel, accessories, and footwear. The Debtors sell merchandise through their stores, online at pacsun.com, and through their mobile application. The Debtors feature two categories of merchandise: (i) proprietary merchandise, including brands such as Bullhead Denim, On the Byas, and LA Hearts; and (ii) branded merchandise, including brands such as Brandy Melville, Kendall & Kylie, Nike SB, RVCA, Hurley, and Vans.

The Debtors provide their customers with a product assortment and shopping experience that highlight a mix of proprietary and branded merchandise related to action sports, fashion, art, and the musical influences of the California lifestyle. Sales of branded merchandise accounted for approximately 51% of total net sales in fiscal year 2014. The Debtors complement those name-brand collections with a variety of proprietary brands. These proprietary brands provide the Debtors the opportunity to broaden their customer base by offering merchandise of comparable quality to brand name merchandise, capitalize on emerging fashion trends when branded merchandise is not available in sufficient quantities, and exercise a greater degree of control over the flow of our merchandise. Proprietary brand merchandise accounted for approximately 49% of total net sales in fiscal year 2014.

The Debtors currently compete on a national level with leading specialty retail chains, department stores, and online retailers that offer similar brands and styles of merchandise including: Abercrombie & Fitch, Aéropostale, Amazon.com, American Eagle Outfitters, The Buckle, Forever21, H&M, Hollister, J.C. Penney, Karma Loop, Kohl's, Macy's, Nastygal, Nordstrom, Old Navy, Swell, Target, Tilly's, Top Shop, UNIQLO, Urban Outfitters, The Wet Seal, Zappos, Zara, and Zumiez, as well as a variety of regional and local specialty shops. The Debtors believe the principal competitive factors in the industry are fashion, merchandise assortment, quality, price, store location, environment, and customer service. At present, the teen and young adult retail sector in which the Debtors operate is in distress. Prior to the Petition Date, American Apparel, Inc., Quiksilver, Inc., Caché Inc., The Wet Seal, Inc., Deb Stores, dELiA*s, Inc., and Body Central Corp. had filed for bankruptcy protection or were otherwise liquidating.

The Debtors currently operate (i) approximately 593 retail stores, located in all 50 states and Puerto Rico, principally in mall locations, (ii) executive offices, located in Anaheim, California, and (iii) a distribution facility, located in Olathe, Kansas. The Debtors employ approximately 1,995 individuals on a full time basis and 7,054 individuals on a part time basis. Approximately 526 of these individuals are employed by Parent and work either at the Debtors' executive offices in Anaheim, California or at the Debtors' distribution facility in Olathe, Kansas, and the other 8,523 individuals are employed by PS Stores and work in, or otherwise support, the Debtors' store locations.

The Debtors operate an e-commerce site at www.pacsun.com. Sales through the e-commerce site represented approximately 7% of total net sales during each of fiscal years 2014, 2013, and

2012. The Debtors' e-commerce business currently accepts orders that ship across the United States and to 45 countries abroad. The Debtors operate an in-house e-commerce sales fulfillment center within their Olathe, Kansas distribution facility. The Debtors advertise their website as a shopping destination on certain internet portals and search engines, in addition to marketing the website in stores. The e-commerce business benefits from the nationwide retail presence of the Debtors' stores, the brand recognition of the Debtors, a tech-savvy customer base, and the availability of key brands.

In order to protect the integrity of their e-commerce site and brand image, the Debtors own several domain names in addition to the "Pacific Sunwear of California," "PacSun," "Pacific Sunwear" trademarks, and various other trademarks, all of which are registered with the United States Patent and Trademark Office.

D. Revenues

The Debtors derive revenues primarily from their retail store business and their e-commerce business. Net sales for fiscal 2015 were $800.9 million versus net sales of $826.8 million for fiscal 2014. Comparable store sales decreased 2.6% during fiscal 2015. On a GAAP basis, the Debtors reported a net loss of $9.2 million, or $(0.13) per diluted share, for the 2015 fiscal year, compared to a net loss of $29.4 million, or $(0.42) per diluted share for the 2014 fiscal year. The net loss for the 2015 fiscal year included a non-cash gain of $27.7 million, or $0.40 per diluted share, compared to a non-cash gain of $2.3 million, or $0.03 per diluted share for the 2014 fiscal year, related to a derivative liability. On a non-GAAP basis, excluding the non-cash gain on the derivative liability, and assuming a tax benefit of approximately $11.3 million, the Debtors would have incurred a net loss for the 2015 fiscal year of $23.4 million, or $(0.34) per diluted share, as compared to a net loss of $18.5 million, or $(0.27) per diluted share, for the 2014 fiscal year.

The Debtors' business is seasonal in nature, with a significant portion of the Debtors' income typically realized during the six to seven week selling periods for each of the back-to-school and holiday seasons. In recent years, peak selling seasons have become more concentrated, with incidents such as inclement weather adversely impacting mall traffic and consumer buying patterns. The holiday and back-to-school seasons generally account for approximately 35% to 40% of the Debtors' annual net sales.

E. Prepetition Capital Structure

1. Secured Debt

(a) ABL Facility

As of the Petition Date, the Debtors were indebted to Wells Fargo Bank, N.A. (the "ABL Lender"), pursuant to a borrowing base revolver of up to $100 million (the "ABL Facility") under that certain Credit Agreement, dated as of December 7, 2011 (as amended, the "ABL Credit Agreement"), by and among Parent, as lead borrower, PS Stores, as an additional borrower, the lenders party thereto from time to time, Wells Fargo Bank, N.A., as the administrative agent and collateral agent (the "ABL Agent"), and Wells Fargo Capital Finance, LLC, as syndication agent and documentation agent. As of the Petition Date, the Debtors had approximately $31 million of direct borrowings and approximately $10 million in letters of credit outstanding under the ABL Facility. The ABL Facility is scheduled to mature on December 7, 2016. Miraloma is an unsecured guarantor

under the ABL Facility pursuant to that certain Unsecured Guaranty, dated as of December 7, 2011, with a limit of $100 million of Unsecured Guaranteed Obligations (as defined therein). As of the Petition Date, the ABL Facility was secured, pursuant to that certain Security Agreement, dated as of December 7, 2011, by liens and security interests on all the assets of Parent and PS Stores other than Excluded Property (as defined therein). Pursuant to that certain Intercreditor Agreement, dated as of December 7, 2011 (the "Intercreditor Agreement"), by and between the ABL Lender and Term Loan Lenders, the ABL Lender has (i) a first priority security interest in the current and certain related assets of Parent and PS Stores including cash, cash equivalents, deposit accounts, securities accounts, credit card receivables, and inventory (the "ABL Priority Collateral") and (ii) a second priority security interest in all assets and properties of Parent and PS Stores other than the ABL Priority Collateral and the Excluded Property (such other assets, the "Term Loan Priority Collateral").

(b) **Term Loan**

As of the Petition Date, the Debtors were indebted to PS Holdings of Delaware, LLC – Series A and PS Holdings of Delaware, LLC – Series B (together, the "Term Loan Lenders"), , pursuant to a term loan in the original principal amount of $60 million (the "Term Loan") under that certain Credit Agreement, dated as of December 7, 2011 (as amended, the "Term Loan Credit Agreement"), by and among Parent, as borrower, PS Stores, as guarantor, the Term Loan Lenders, and PS Holdings Agency Corp., as the administrative agent (the "Term Loan Agent"). As of the Petition Date, the current indebtedness under the Term Loan is approximately $81 million (exclusive of a prepayment amount). The Term Loan is scheduled to mature on December 7, 2016. PS Stores is a secured guarantor of the Term Loan pursuant to that certain Guaranty, dated as of December 7, 2011. Miraloma is an unsecured guarantor of the Term Loan pursuant to that certain Unsecured Guaranty, dated as of December 7, 2011, with a limit of $60 million of Unsecured Guaranteed Obligations (as defined therein). As of the Petition Date, the Term Loan was secured, pursuant to that certain Security Agreement, dated as of December 7, 2011, by liens and security interests on all the assets of Parent and PS Stores other than Excluded Property (as defined therein). Pursuant to the Intercreditor Agreement, the Term Loan Lenders have (i) a first priority security interest in the Term Loan Priority Collateral and (ii) a second priority security interest in the ABL Priority Collateral.

In conjunction with the Term Loan, Parent and the Term Loan Lenders entered into a Stock Purchase and Investors Rights Agreement dated December 7, 2011 (the "Stock Purchase Agreement") pursuant to which Parent issued the Series B Preferred stock, which has a liquidation value of $0.1 million, to the Term Loan Lenders, which gives the Term Loan Lenders the right to purchase up to 13.5 million shares of Parent's common stock, representing, as of December 7, 2011, 19.9% of Parent's common stock outstanding (16.7% on a fully-diluted basis) at an initial conversion price of $1.75 per share of underlying common stock. In addition, the Stock Purchase Agreement granted the Term Loan Lenders the right to appoint two board members. Mr. Attenborough and Mr. Olshansky are currently appointees of the Term Loan Lenders.

(c) **Mortgage Debt**

The Debtors' Anaheim, California headquarters property is subject to a non-recourse deed of trust in the initial amount of $16.8 million pursuant to that certain Deed of Trust, Assignment of Rents and Security Agreement, dated August 20, 2010 (as amended, the "Miraloma Note"), by

Miraloma, as borrower, to First American Title Insurance Company, as trustee, for the benefit of American National Insurance Company ("ANICO").

Pursuant to that certain Trust Indenture, dated as of July 1, 2007, the city of Olathe, Kansas (the "City") and U.S. National Bank Association, as trustee, entered into an industrial revenue bond financing transaction with respect to the distribution center in Olathe, Kansas (the "Olathe Property"). The City purchased the Olathe Property from PS Stores through the issuance to PS Stores of industrial revenue bonds due January 1, 2018 in an aggregate principal amount of approximately $23 million (the "IRBs") and contemporaneously leased the land and building to PS Stores for an identical term pursuant to that certain Lease Agreement, dated as of July 1, 2007 between the City and PS Stores (the "Olathe Property Lease").[3] PS Stores' leasehold interest in the Olathe Property Lease is subject to a mortgage in the initial amount of $13.0 million pursuant to that certain Mortgage, Security Agreement, Financing Statement and Fixture Filing, dated as of August 20, 2010 (as amended, the "PS Stores Note"), by PS Stores, as borrower, in favor of ANICO. Parent is a guarantor under the PS Stores Note.

On July 1, 2014, the Debtors modified certain terms associated with the Miraloma Note and the PS Stores Note. The note modification executed by Miraloma (i) provided for an additional advance of $0.3 million to fund the payment of fees, commissions and expenses incurred by the Debtors in connection with the Miraloma Note, resulting in a new principal balance of $15.9 million; (ii) extended the maturity date of the Miraloma Note to July 1, 2021; (iii) reduced the interest rate to 5.25% per annum; and (iv) provided that the Miraloma Note may not be prepaid prior to July 1, 2017 and thereafter may be prepaid only upon payment of prepayment fees pursuant to a schedule set forth in the Miraloma Note. The amended note executed by PS Stores (i) provided for an additional advance of $0.2 million to fund the payment of fees, commissions and expenses incurred by the Debtors in connection with the PS Stores Note, resulting in a new principal balance of $12.3 million; (ii) extended the maturity date of the PS Stores Note to July 1, 2021; (iii) reduced the interest rate to 5.25% per annum; and (iv) provided that the PS Stores Note may not be prepaid prior to July 1, 2017 and thereafter may be prepaid only upon payment of prepayment fees pursuant to a schedule set forth in the PS Stores Note.

Other than the ABL Facility, the Term Loan, the Miraloma Note, and the PS Stores Note, the Debtors do not have any material secured debt. The Debtors estimate that other secured claims do not exceed $750,000 in the aggregate.

2. Unsecured Debt

The Debtors believe that unsecured claims against the Debtors approximate $60,000,000. Unsecured claims against the Debtors, excluding the litigation claims described below, include: (i) accrued and unpaid trade and other unsecured debt incurred in the ordinary course of the Debtors' business, (ii) unpaid amounts owed to the Debtors' vendors, and (iii) claims by landlords for unpaid

[3] PS Stores, as holder of the IRBs, is due interest at 7% per annum with interest payable semi-annually in arrears on January 1 and July 1. This interest income is directly offset by the interest-only lease payments on the Olathe Property, which are due at the same time and in the same amount as the interest income. If, at any time, PS Stores chooses to call the IRBs, PS Stores is required to use the proceeds from the IRBs to immediately terminate the Olathe Property Lease and repurchase the Olathe Property.

rent and other obligations under the Debtors' leases. If leases are rejected during the Chapter 11 Cases, the amount of unsecured claims could increase significantly.

3. Interests

Parent is publicly-owned and has one class of common stock and one class of preferred stock. The number of shares of common stock, par value $0.01 per share, outstanding as of February 16, 2016, was 70,221,822. As of the Petition Date, the Term Loan Lenders hold Series B Preferred stock, which has a liquidation value of $0.1 million and which gives the Term Loan Lenders the right to purchase up to 13.5 million shares of Parent's common stock, representing, as of December 7, 2011, 19.9% of Parent's common stock outstanding (16.7% on a fully-diluted basis) at an initial conversion price of $1.75 per share of underlying common stock.

Parent is the parent company of PS Stores and Miraloma, who are its wholly-owned subsidiaries. On September 1, 2015, Parent received a deficiency notice from the NASDAQ Global Select Stock Market ("NASDAQ") stating that the closing bid price of Parent's common stock was below the $1.00 minimum bid price requirement for 30 consecutive business days and, as a result, Parent no longer complied with the minimum bid price requirement for continued listing on NASDAQ. Parent subsequently received a notice of non-compliance at the end of the six-month grace period to remedy that deficiency. Parent has appealed the deficiency notice, and a hearing was scheduled for April 14, 2016. On October 29, 2015, Parent received a deficiency notice from NASDAQ stating that for the prior thirty consecutive business days, Parent had not met the $15 million minimum market value of publicly held shares continued listing standard as required by NASDAQ Listing Rule 5450(b)(3)(C). As provided in the NASDAQ rules, Parent had until April 26, 2016 to regain compliance.

F. Investigation

In addition to a complete perfection analysis[4] of the Term Loan Lenders and ABL Lender's liens, in anticipation of entry into the RSA, the Debtors conducted an in depth and detailed investigation into potential claims and causes of action against the Term Loan Agent, Term Loan Lenders and their affiliates, including directors affiliated therewith (the "Term Loan Parties"), including, but not limited to whether the Term Loan Parties breached any duties or covenants they may have owed to the Debtors. The investigation was conducted at the direction of the disinterested directors of Parent's board, through their outside litigation counsel, Connolly & Finkel LLP, led by

[4] The Company investigated the perfection of the ABL Lender and Term Loan Lenders' liens. Based on that investigation, the Company has concluded that the ABL Lender and Term Loan Lenders have perfected security interests and liens in substantially all of the property and assets of Parent and PS Stores other than (1) "Property" as such term is defined in the mortgage for the Debtors' facility located at 21800 W. 167th Street, Olathe, Kansas, (2) the equity interests held by Parent in PS Stores, (3) any leases, (4) commercial tort claims or (5) any cash that is not in a deposit account subject to the control of the ABL Lender or the Term Loan Lenders, unless such cash is identifiable proceeds from collateral. The ABL Lender and Term Loan Lenders do not purport to hold liens against any assets of Miraloma.

senior partner John Connolly. This thorough Investigation revealed that the Debtors have no viable claims or causes of action against the Term Loan Parties.[5]

In the course of conducting the Investigation, the Debtors interviewed each of the members of Parent's board of directors, and several of the Debtors' officers, including Gary H. Schoenfeld, President and CEO, Craig E. Gosselin, Senior Vice President, Secretary, General Counsel and Human Resources, Chris Tedford, Vice President and Interim CFO, and Ernie Sibal, Vice President, Real Estate, Construction and Strategy. In addition, the Debtors reviewed the underlying transactional documents, including the Credit Agreement with the Term Loan Lenders, and all of the exhibits thereto, as well as the minutes of the meetings of Parent's board of directors from 2010 to the present, including all presentations and exhibits thereto. Mr. Connolly worked directly with the Debtors' general counsel, Craig Gosselin, and his team in identifying all relevant documents to be reviewed.

After the conclusion of the Investigation, Mr. Connolly discussed his findings with the officers of the Debtors and the members of Parent's board of directors and the Debtors determined that there was no evidence of any viable claims that the Debtors may hold against the Term Loan Parties or any defenses the Debtors may have to the Term Loan Parties' claims, and that entry into the RSA and stipulation to the validity, priority and amount of the Term Loan Parties' claims was appropriate. The two directors appointed by the Term Loan Parties on the board were not involved in any deliberation or decision-making associated with the Investigation, entry into the RSA, or stipulation regarding the Term Loan Parties' claims.

G. SEC Filings

As a public company, Parent has been required to file appropriate reports with the SEC, including quarterly statements of its operational and financial status and reports of significant events. All of Parent's public securities filings are available at www.sec.gov/edgar.shtml.

[5] The Company also investigated any potential claims and causes of action against the ABL Agent, the ABL Lender, and their affiliates and found that the company has no viable claims or causes of action against such parties.

H. Prepetition Litigation

As of the Petition Date, the Debtors were party to litigation pending in non-bankruptcy forums in the ordinary course of their business. Before the Petition Date, certain putative class action complaints were filed in the Superior Court of California on behalf of employees of the Debtors alleging violations of California's wage and hour, reporting, overtime, meal break, and rest break rules and regulations, among other things. *See Pfeiffer v. Pacific Sunwear of California, Inc. et al.*, Case No. RIC1100527; *Beeney v. Pacific Sunwear of California, Inc. et al.*, Case No. 30-2011-00459346-CU-OE-CXC; *Strawder v. Pacific Sunwear of California, Inc. at al.*, Case No. BC356891; *Broadstone v. Pacific Sunwear of California, Inc.*, Case No. BC594799 (collectively, the "Wage and Hour Lawsuits"). The Debtors deny the allegations regarding the plaintiffs' claims in the Wage and Hour Lawsuits and believe various defenses apply.

The litigation in which the Debtors are defendants, including, but not limited to the Wage and Hour Lawsuits, has been stayed by Bankruptcy Code section 362(a). If the Plan is confirmed by the Bankruptcy Court, then pursuant to, and in furtherance of, the discharge provisions of section 1141(d) of the Bankruptcy Code and the Plan, the commencement or continuation of litigation against the Debtors based on a Claim against a Debtor, a Debtor's estate, or the property of a Debtor that arose prior to the Confirmation Date will be enjoined from proceeding except in conformity with the discharge provision of section 1141(d) of the Bankruptcy Code and the Plan. As for pending litigation in which one or more of the Debtors is a plaintiff, the Debtors are evaluating such actions and determining whether the continued pursuit of any of such actions is in the best interests of the Debtors' estates. The Reorganized Debtors' rights are reserved to the extent set forth in the Plan to continue to prosecute any and all such actions, including, but not limited to, the Debtors' class action claims alleging, among other things, that Visa and MasterCard, as well as certain others, conspired to fix interchange fees in violation of Section 1 of the Sherman Act, which class action is currently pending before the United States District Court for the Eastern District of New York at *In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation*, 05-md-01720 (JG)(JO) (E.D.N.Y.).

I. Events Leading to the Filing of the Chapter 11 Cases

1. Industry-Wide Factors and Shifts in the Debtors' Merchandising and Operating Strategies Erode the Debtors' Financial Performance

Founded in 1982, the Debtors focused on the action sports retail segment and enjoyed substantial growth between 1993 and 2006, going public in 1993 and increasing their store count to a peak of 965 stores in 2006. The Debtors' relationships with the preeminent action sports brands of the time (Quiksilver, Billabong, Fox Racing and Volcom) placed the Debtors at the epicenter of the rapid growth in popularity of action sports. The success of this brand positioning was, however, gradually eroded, due to industry-wide factors and a series of ill-conceived merchandising and operating decisions.

Several industry-wide factors have created a more competitive and challenging market for retailers such as the Debtors. First, the continuing fundamental shift in consumer behavior away from traditional mall shopping toward online-only stores has negatively impacted sales in the Debtors' retail stores. The Debtors operate a primarily mall-based chain of retail stores, which is

dependent upon the continued popularity of malls as shopping destinations and on the ability of shopping mall anchor tenants and other mall-based attractions to generate consumer traffic. Second, increased competition throughout the specialty retail fashion industry, and particularly the emergence of fast fashion as a new competitive threat, has hurt the Debtors, especially because many of the Debtors' competitors are larger and have significantly greater resources available to them. Third, increased online shopping and unfavorable or uncertain economic conditions, particularly in certain regions, have adversely affected traditional retailers, as internet retailers do not face the same occupancy costs or store payroll expenses as traditional brick-and-mortar retailers. Fourth, the entrance and rapid growth of numerous international brands and retailers have adversely affected the Debtors. Fifth, the Debtors' core customer base—teens and young adults—has shifted a larger portion of its discretionary spending to dining, technology, and other consumer products, and away from retail apparel. Sixth, the action sports segment of the retail industry, around which the Debtors' early success centered, is no longer as relevant as it was in the 1990s.

As a result of these and other challenges in the broader consumer retail space, the teen and young adult retail sector has been in distress for several years. Indeed, prior to the Petition Date, several retailers in this sector, including American Apparel, Inc., Quiksilver, Inc., Caché Inc., The Wet Seal, Inc., Deb Stores, dELiA*s, Inc., and Body Central Corp., filed for bankruptcy protection or were otherwise liquidating.

In addition to industry-wide weaknesses, the Debtors' financial performance was further adversely impacted by several critical mistakes made by prior management in their merchandising and operating strategies. First, the Debtors committed a critical error in 2008 by discontinuing the sales of sneakers, which cost the Debtors a valuable component of their product mix and created opportunities for the Debtors' competitors to accelerate their growth in the footwear segment. Second, the Debtors' desire to demonstrate continued growth caused the Debtors to invest in two non-core concepts that were eventually discontinued: (i) D.e.m.o, a late-1990's concept designed to address the growing popularity of urban influences, peaked with 225 stores in 2006 but was discontinued by 2008 due to underperformance and waning popularity; and (ii) One Thousand Steps, created in 2006 as a specialty, fashion forward retailer of branded footwear and accessories, was unsuccessful and was also discontinued in 2008. Third, the Debtors shifted their merchandising strategy toward proprietary brands in an attempt to compete with vertical retailers, thereby undermining the Debtors' core message to consumers and distancing the Debtors from key brand partners that had previously fueled the Debtors' growth. Fourth, the Debtors began pushing overly-discounted "value" merchandise to all underperforming retail locations, resulting in a lack of consistency in merchandise across stores and further confusion for consumers. Fifth, the Debtors expansion to nearly 1,000 stores created too large a store footprint with numerous underperforming stores and above-market occupancy costs. Sixth, key senior leadership that had overseen much of the Debtors' growth left in the mid-2000's, beginning a string of leadership changes that prevented the Debtors from sending a coherent and consistent message to consumers. Seventh, the Debtors' target customer was misaligned; the Debtors principally appealed to men aged 16-20 and women aged 12-16, which misalignment created a barrier to the Debtors' ability to attract and retain loyal customers. Eighth, the Debtors had no cohesive e-commerce strategy.

These errors confused customers regarding the Debtors' message and merchandise, damaged critical relationships with key brands, and created opportunities for the Debtors' competitors to accelerate their growth at the Debtors' expense. As a result, the Debtors were in a weakened

competitive position when the 2008-2009 recession occurred, leading to significant financial underperformance, including negative 20% comparable same store sales performance in 2009.

2. Turnaround Strategy

In the second quarter of 2009, the Debtors hired Gary H. Schoenfeld as their new CEO, the third CEO in four years. The early portion of Mr. Schoenfeld's tenure was largely focused on the Debtors' survival and assembling a capable management team. Mr. Schoenfeld realigned and downsized the Debtors' management structure. Fifteen of the top sixteen leadership positions were replaced, and several roles were consolidated. Mr. Schoenfeld's vision for the Debtors is to regain the Debtors' position as a leading destination for the most coveted brands in the California lifestyle market. To help Mr. Schoenfeld implement his vision for the Debtors, near the end of 2011 the Term Loan Lenders invested $60 million in the form of a 5-year term loan in support of the Debtors' plans.

Specifically, under the leadership of Mr. Schoenfeld and the new management team, the Debtors have accomplished the following:

- Repaired and cultivated relationships with key brands, thereby reinvigorating the Debtors' supply pipeline for premier name-brand merchandise and expanding the Debtors' brand portfolio.

- Supplemented name-brands with stylish lower-cost proprietary offerings, as opposed to the pre-2009 strategy of leading with proprietary offerings and neglecting key name-brand partners.

- Rationalized their store fleet by undertaking a major initiative in 2011 to close underperforming stores, leaving the Debtors with a lighter store footprint with very few remaining negative contributors.

- Reintroduced sales of sneakers, rectifying a key strategic mistake from prior management.

- Improved and expanded their e-commerce and social media platforms, along with other high-impact promotional and marketing efforts, including the successful myGSOM loyalty program launched in 2015.

- Refreshed their overall brand by expanding beyond the core action sports space.

- Developed closer relationships with key vendors, which have resulted in decreasing product lead times to 4-12 weeks today (instead of the 42-week average under prior management), allowing the Debtors to be far more nimble in responding to the latest trends.

- Improved gender alignment by aging up the target customer, particularly in women's products, to 16-24 years old, which has resulted in both men's and women's sales generating nearly 50% of revenue.

3. Ongoing Challenges and Decision to File Chapter 11 Cases

Implementation of Mr. Schoenfeld's strategic vision has successfully stabilized the Debtors' business, resulting in a strong customer base, an attractive assortment of merchandise, and positive same store sales in 13 of the last 16 quarters through the end of fiscal year 2015, outperforming the vast majority of their peers.

Nevertheless, the Debtors' maturing capital structure and high store occupancy costs (despite the reduced store footprint) have required a restructuring before the Debtors' new management could complete their turnaround strategy.

Recognizing these challenges, the Debtors retained Guggenheim Securities, LLC ("Guggenheim") to serve as the Debtors' investment banker to explore in-court and out-of court strategic alternatives. Guggenheim and the Debtors determined that it would not be possible to effect a transaction without a mechanism to allow the Debtors to significantly reduce store occupancy costs and restructure their balance sheet. As it became apparent that an out-of-court restructuring would not be possible, the Debtors, Guggenheim, and FTI Consulting ("FTI"), which was retained in February 2016 to serve as the Debtors' financial advisors, focused on obtaining debtor-in-possession financing and a viable exit strategy to enable the Debtors to maximize value.

In the weeks preceding the Petition Date, the Debtors and Wells Fargo Bank, National Association agreed on a $100 million debtor-in-possession facility. In addition, the Debtors and the Term Loan Lenders negotiated a Restructuring Support Agreement and the Plan, pursuant to which the Term Loan Lenders will convert a portion of the Term Loan Claims to equity, with the remaining debt being restructured. In addition, the Term Loan Lenders (or their Affiliates) will consummate a minimum of a $20 million investment upon consummation of the Plan, in the form of debt, equity, or a combination of debt and equity. Pursuant to the Restructuring Support Agreement and the Plan, Guggenheim will seek a higher and better alternative to the Plan through a marketing process commencing on or about the Petition Date and governed by the Bidding Procedures, for which the Debtors are seeking approval. If a Qualified Bid is not received, the Debtors will proceed to seek confirmation of the Plan. If a Qualified Bid is received, an auction will be conducted. If the auction yields a highest and best bid from a party other than the Term Loan Lenders that will yield sufficient proceeds to pay the DIP Claims, the ABL Claims, and the Term Loan Claims in full, in cash, the Debtors and the Winning Bidder will progress either to closing of the sale pursuant to Bankruptcy Code section 363 or to confirming the Plan, as modified, and the DIP Claims, the ABL Claims, and the Term Loan Claims will be paid in full, in cash upon consummation of the sale or the Plan, as modified.

III. THE CHAPTER 11 CASES

On April 10, 2016, each of the Debtors commenced a voluntary case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. The Debtors have requested joint administration of their Chapter 11 Cases under the caption *In re Pacific Sunwear of California, Inc., et al.*, Case No. 16-10882 ( ). The Debtors continue to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

An immediate effect of commencement of the Chapter 11 Cases was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by Creditors, the enforcement of liens against property of the Debtors, and the continuation of litigation against the Debtors during the pendency of the Chapter 11 Cases. The automatic stay will remain in effect, unless modified by the Bankruptcy Court, until the Effective Date.

A. First Day Motions

On or about the Petition Date, contemporaneously with the filing of this Disclosure Statement, the Debtors filed the below listed "first day" motions and applications with the Bankruptcy Court seeking certain immediate relief to aid in the efficient administration of these Chapter 11 Cases and to facilitate the Debtors' transition to debtors-in-possession status:

- Debtors' Motion for Entry of an Order Directing Joint Administration of Related Chapter 11 Cases for Procedural Purposes Only;
- Debtors' Application for an Order Appointing Prime Clerk LLC as Claims and Noticing Agent for the Debtors *Nunc Pro Tunc* to the Petition Date;
- Debtors' Motion for Entry of an Order Authorizing Maintenance, Administration, and Continuation of Certain Customer Programs;
- Debtors' Motion for Entry of an Order (i) Authorizing Payment of Certain Prepetition Employee Claims, Including Wages, Salaries, and Bonuses, (ii) Authorizing Payment of Certain Employee Benefits and Confirming Right to Continue Employee Benefits on Postpetition Basis, (iii) Authorizing Payment of Reimbursement to Employees for Prepetition Expenses, (iv) Authorizing Payment of Withholding and Payroll-Related Taxes, (v) Authorizing Payment of Prepetition Claims Owing to Administrators and Third Party Providers, and (vi) Authorizing Banks to Honor Prepetition Checks and Fund Transfers for Authorized Payments;
- Debtors' Motion for Entry of an Order (i) Authorizing the Payment of Prepetition Sales, Use, and Franchise Taxes and Similar Taxes and Fees and (ii) Authorizing Banks and Other Financial Institutions to Receive, Process, Honor, and Pay Checks Issued and Electronic Payment Requests Made Relating to the Foregoing;
- Debtors' Motion for Entry of Interim and Final Orders (i) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (ii) Prohibiting Utility Companies from Altering, Refusing, or Discontinuing Services, (iii) Approving the Debtors' Proposed Procedures for Resolving Adequate Assurance Requests, and (iv) Granting Related Relief;
- Debtors' Motion for Entry of an Order Confirming Administrative Expense Priority Status of Debtors' Undisputed Obligations for Postpetition Delivery of Goods Ordered Prepetition;
- Debtors' Emergency *Ex Parte* Motion, Pursuant to Bankruptcy Code Sections 105(a), 362, and 541, for Entry of Interim and Final Orders Establishing Notification Procedures and

Approving Restrictions on Certain Transfers of Equity Interests in and Claims Against the Debtors *Nunc Pro Tunc* to the Petition Date;

- Debtors' Motion for Entry of an Order Authorizing Payment of Certain Prepetition Shipping, Delivery, and Customs Charges;

- Debtors' Motion for Entry of Interim and Final Orders (i) Authorizing Continued Use of Cash Management System, (ii) Authorizing the Continuation of Intercompany Transactions, (iii) Granting Administrative Priority Status to Postpetition Intercompany Transactions, (iv) Authorizing Use of Prepetition Bank Accounts, Account Control Agreements, and Certain Payment Methods, and (v) Waiving the Requirements of 11 U.S.C. § 345(b) on an Interim Basis; and

- Debtors' Motion for Entry of an Order (i) Authorizing Implementation of a Key Employee Incentive Program and a Key Employee Retention Program, (ii) Approving the Terms of the Debtors' Key Employee Incentive Program and Key Employee Retention Program, and (iii) Granting Related Relief.

B. Debtor-in-Possession Financing

On the Petition Date, the Debtors filed a motion seeking Bankruptcy Court approval of the DIP Facility on the terms set forth in that certain Debtor-in-Possession Credit Agreement, dated as of April 7, 2016 (the "Debtor-in-Possession Credit Agreement"), by and among the Debtors, the DIP Agent, and the ABL Lender, as DIP Lender. The Debtor-in-Possession Credit Agreement provides for a senior secured, super-priority credit facility (the "DIP Facility") of up to $100 million on the closing date of the DIP Facility. Loans under the DIP Facility will be capped at the lesser of this commitment and a borrowing base (which is subject to reserves). The Debtors may use the proceeds of the DIP Facility for (i) payment of transaction expenses, (ii) purposes permitted by orders of the Bankruptcy Court, including ongoing debtor-in-possession working capital and capital expenditure purposes, (iii) the payment of fees, costs, and expenses, and (iv) other general corporate purposes, in each case in accordance with the approved budget.

C. Additional Motions and Applications

On and after the Petition Date, the Debtors filed or will file the following motions and applications to retain professionals and to streamline the administration of the Chapter 11 Cases:

- Debtors' Application, Pursuant to Section 327(a) of the Bankruptcy Code, Rule 2014 of the Federal Rules of Bankruptcy Procedure, and Local Rule 2014-1, for Entry of an Order Authorizing Employment and Retention of Klee, Tuchin, Bogdanoff & Stern LLP as Counsel for the Debtors and Debtors in Possession *Nunc Pro Tunc* to the Petition Date;

- Debtors' Application for an Order Authorizing the Employment and Retention of Prime Clerk LLC as Administrative Agent to the Debtors, *Nunc Pro Tunc* to the Petition Date;

- Debtors' Motion for Entry of an Order Authorizing the Debtors to Retain, Employ, and Compensate Certain Professionals Utilized by the Debtors in the Ordinary Course of Business;

- Debtors' Motion for Entry of an Order Providing that Creditors' Committees Are Not Authorized or Required to Provide Access to Confidential Information to Creditors;

- Debtors' Motion for Entry of an Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals;

- Application for Entry of an Order, Pursuant to Section 327(a) of the Bankruptcy Code, Authorizing the Employment and Retention of FTI Consulting, Inc. as Financial Advisors to the Debtors *Nunc Pro Tunc* to the Petition Date;

- Debtors' Motion for Entry of an Order Authorizing Employment and Retention of Guggenheim Securities, LLC as Investment Banker for the Debtors *Nunc Pro Tunc* to the Petition Date;

- Application, Pursuant to Bankruptcy Code Sections 327(e), 328(a), and 329(a) for Entry of an Order Authorizing Employment and Retention of Sullivan & Cromwell LLP as Special Counsel to the Debtors, Effective *Nunc Pro Tunc* to the Petition Date;

- Debtors' Motion for Entry of an Order Authorizing the Debtors to Retain and Employ Young Conaway Stargatt & Taylor, LLP as Bankruptcy Counsel to the Debtors, *Nunc Pro Tunc* to the Petition Date;

- Debtors' Motion for Entry of an Order Establishing Procedures for the Rejection of Executory Contracts and Unexpired Leases; and

- Debtors' Motion, Pursuant to Sections 501 and 502 of the Bankruptcy Code, Bankruptcy Rules 2002 and 3003(c)(3), and Local Rule 2002-1(e), for Order Establishing Deadlines for Filing Proofs of Claim and Approving the Form and Manner of Notice Thereof.

D. Restructuring Support Agreement, Bid Procedures, and Auction Process

On April 6, 2016 the Debtors entered into the Restructuring Support Agreement with the Term Loan Agent and the Term Loan Lenders as Consenting Term Loan Parties. Subject to the terms and conditions of the Restructuring Support Agreement, the Term Loan Lenders agreed to convert a portion of the Term Loan Claims into equity, with the remaining debt being restructured, and to invest at a minimum an additional $20 million upon consummation of the Plan either in debt, equity, or a combination of debt and equity. The Plan also contemplates the Debtors' solicitation of higher or otherwise better bids for the New Parent Interests or all or substantially all of the Debtors' assets in accordance with the Bidding Procedures. The Restructuring Support Agreement sets forth certain milestones in the Chapter 11 Cases relating to Confirmation of the Plan, including (i) the entry of an order approving this Disclosure Statement within 50 days of the Petition Date and (ii) the entry of the Confirmation Order within 120 days of the Petition Date.

The Consenting Term Loan Parties have the right to terminate the Restructuring Support Agreement following the occurrence of certain termination events set forth in the Restructuring Support Agreement, including (i) the Debtors fail to perform their obligations under the Restructuring Support Agreement or an event or occurrence required by the Restructuring Support Agreement does not occur, in each case by the applicable deadlines in the Restructuring Support

Agreement, (ii) material modifications are made to the Plan that are inconsistent with the Restructuring Support Agreement, (iii) the occurrence of an event of default under the DIP Facility that remains uncured, (iv) the entry of an order by the Bankruptcy Court to appoint a trustee or examiner with expanded powers for the Debtors, to convert any of the Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code, or to dismiss any of the Chapter 11 Cases, (v) the Debtors challenge, or any party in the Chapter 11 Cases is granted standing to challenge, the amount and/or validity of the Claims of any Consenting Term Loan Party or the validity, enforceability, and/or perfection of the Liens held by any Consenting Term Loan Party, (vi) the License Agreements are terminated by either the Debtors or the counterparties thereto or are determined by Final Order of the Bankruptcy Court (or other court of competent jurisdiction) to be incapable of assumption and/or assumption and assignment, (vii) the issuance by any governmental authority, including any regulatory authority or court of competent jurisdiction, of any ruling or order enjoining the consummation of the Plan in a way that cannot be reasonably remedied by the Debtors or would have a material adverse effect on consummation of the Plan, (viii) the Bankruptcy Court enters an order terminating the Debtors' exclusive right to file a plan of reorganization pursuant to section 1121 of the Bankruptcy Code, and (ix) exercise by any of the Debtors of its "fiduciary out" as debtors-in-possession.

In addition, the Restructuring Support Agreement contemplates that upon the occurrence of certain events, the Term Loan Lenders may determine to proceed pursuant to a sale under Bankruptcy Code section 363, and the Debtors will negotiate in good faith with the Term Loan Lenders regarding such sale.

Pursuant to the Restructuring Support Agreement, the Debtors filed a motion to approve certain bid procedures governing the process of soliciting competing proposals to (i) sponsor a plan of reorganization for the Debtors or (ii) acquire all or substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code. The bid procedures propose a June 15, 2016 bid deadline to propose a competing transaction to the Debtors. If the Debtors are presented with a Qualified Bid by the bid deadline, then the Debtors propose that an auction would be held on June 22, 2016.

E. Appointment of Committee

The Debtors anticipate that an official committee of unsecured creditors will be formed in the Chapter 11 Cases.

F. Schedules, Statements of Financial Affairs and Claims Bar Date

The Debtors expect to file their Schedules of Assets and Liabilities and Statements of Financial Affairs on or before April 30, 2016. A creditor whose Claim is set forth in the Schedules of Assets and Liabilities of a Debtor in an amount not equal to $0 and not identified as contingent, unliquidated, or disputed may, but need not, file a proof of claim against that Debtor to be entitled to participate in the Chapter 11 Cases or to receive a distribution under the Plan. A deadline will be established by the Bankruptcy Court for Creditors to file proofs of claim against the Debtors.

IV. SUMMARY OF THE JOINT CHAPTER 11 PLAN

This section provides a summary of the structure and means for implementation of the Plan and the classification and treatment of Claims and Interests under the Plan and is qualified in its entirety by reference to the Plan (as well as the Exhibits thereto and definitions therein).

The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statement of such terms and provisions.

The Plan itself and the documents referred to therein control the actual treatment of Claims against and Interests in the Debtors under the Plan and will, upon the occurrence of the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtors, the Debtors' Estates, the Reorganized Debtors, all parties receiving property under the Plan, and other parties in interest. In the event of any conflict, inconsistency, or discrepancy between this Disclosure Statement and the Plan, the Plan Supplement, or any other operative document, the terms of the Plan, Plan Supplement, and/or such other operative document, as applicable, shall govern and control; provided that, in any event, the terms of the Plan shall govern and control over all other related documents.

The Plan constitutes a separate chapter 11 plan for each of the Debtors. Except for unclassified Claims, all Claims against a Debtor are placed in separate Class for that Debtor.

A. Treatment of Unclassified Claims

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, DIP Facility Claims and Priority Tax Claims have not been classified and the respective treatment of such unclassified Claims is set forth in Article II of the Plan.

1. Administrative Claims

(a) Administrative Claims

Except with respect to Administrative Claims that are Accrued Professional Compensation Claims and except to the extent that a Holder of an Allowed Administrative Claim, on the one hand, and the Debtors and the Winning Bidder, on the other hand, agree to less favorable treatment with respect to such Holder, each Holder of an Allowed Administrative Claim shall be paid in full in Cash. Such Claims shall be paid as soon as reasonably practicable after the reconciliation of all Disputed Administrative Claims; *provided, however*, that Allowed Administrative Claims with respect to liabilities incurred by a Debtor in the ordinary course of business during the Chapter 11 Cases shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements related thereto; and, *provided further*, *however*, that the Reorganized Debtors shall pay Entities in the ordinary course of business for any work performed on and after the Effective Date in furtherance of the Plan or as authorized hereunder.

(b) Professional Compensation

Professionals asserting an Accrued Professional Compensation Claim for services rendered before the Effective Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, or any other applicable order of the Bankruptcy Court, an application for final allowance of such Accrued Professional Compensation Claim no later than 30 days after the Effective Date. Objections to any Accrued Professional Compensation Claim must be Filed and served on the Reorganized Debtors and the requesting party no later than 60 days after the Effective Date. Each Accrued Professional Compensation Claim allowed pursuant to such a final application shall be paid before the date that is ten (10) business days after entry by the Bankruptcy Court of an order allowing such Accrued Professional Compensation Claim.

(c) Administrative Claims Bar Date

Except as otherwise provided in Article II.A of the Plan, requests for payment of Administrative Claims must be Filed on or before the applicable Administrative Claims Bar Date. Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtors and the requesting party no later than 75 days after the Effective Date. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.

2. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Effective Date, at the option of the Debtors and the Winning Bidder, one of the following treatments: (i) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; (ii) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; or (iii) such other treatment as may be agreed upon by such Holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

3. DIP Facility Claims

As of the Effective Date, the DIP Facility Claims shall be Allowed and deemed to be Allowed Claims in the full amount outstanding under the DIP Facility Credit Agreement, including

principal, interest, fees, and expenses. On the Effective Date, Holders of the DIP Facility Claims shall be paid in Cash in an amount equal to the amount of the DIP Facility Claims.

4. Statutory Fees

On the Effective Date, the Debtors shall pay, in full in Cash, any fees due and owing to the U.S. Trustee at the time of Confirmation. On and after the Effective Date, the Reorganized Debtors shall pay the applicable U.S. Trustee fees until the entry of a final decree in such Debtor's Chapter 11 Case or until such Chapter 11 Case is converted or dismissed.

B. Classification and Treatment of Claims and Interests

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes or Claims and Interests. 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. A Claim is also placed in a particular Class for the purpose of receiving Distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date.

1. Class 1: Other Secured Claims

Class 1 consists of Other Secured Claims. Except to the extent that a Holder of an Other Secured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Other Secured Claim, each Holder of such Allowed Other Secured Claim shall receive one of the following treatments, as determined by the Debtors and the Winning Bidder: (i) payment in full in Cash, which shall be paid as soon as reasonably practicable after the reconciliation of all Disputed Other Secured Claims; (ii) delivery of the collateral securing any such allowed secured claim; or (iii) other treatment such that the Allowed Other Secured Claim shall be rendered Unimpaired.

Class 1 Other Secured Claims are Unimpaired by the Plan, and Holders of such Class 1 Other Secured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Secured Claims are not entitled to vote to accept or reject the Plan.

2. Class 2: Priority Non-Tax Claims

Class 2 consists of Priority Non-Tax Claims. Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Priority Non-Tax Claim, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash. Allowed Priority Non-Tax Claims shall be paid as soon as reasonably practicable after the reconciliation of all Disputed Priority Non-Tax Claims.

Class 2 Priority Non-Tax Claims are Unimpaired by the Plan, and Holders of such Class 2 Priority Non Tax Claims are conclusively presumed to have accepted the Plan pursuant to section

1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Priority Non Tax Claims are not entitled to vote to accept or reject the Plan.

3. Class 3: ABL Claims

Class 3 consists of the ABL Claims. The ABL Claims shall be allowed. On the Effective Date, to the extent any ABL Claims are outstanding, Holders of the ABL Claims shall receive Cash in an amount equal to the amount of outstanding Allowed ABL Claims.

Class 3 ABL Claims are Unimpaired by the Plan and Holders of such Class 3 ABL Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

4. Class 4: Term Loan Claims

Class 4 consists of the Term Loan Claims. The Term Loan Claims shall be Allowed. On the Effective Date, in exchange for full and final satisfaction, settlement, release, and discharge of the Term Loan Claims, either (i) if the Holders of the Term Loan Claims are the Winning Bidder on account of their Credit Bid of such Claims, the Holders of the Term Loan Claims shall receive 100 percent of the New Parent Interests and the New Term Loan; or (ii) if the Term Loan Lenders are not the Winning Bidder, the Holders of the Term Loan Claims shall receive Cash in an amount equal to the amount of Allowed Term Loan Claims.

If the Holders of the Term Loan Claims receive the treatment in subsection (i) above, Class 4 Term Loan Claims are Impaired by the Plan, and Holders of such Class 4 Term Loan Claims are entitled to vote to accept or reject the Plan. If, the Holders of the Term Loan Claims receive the treatment in subsection (ii) above, Class 4 Term Loan Claims are Unimpaired by the Plan and Holders of such Class 4 Term Loan Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

5. Class 5A: Mortgage Notes Claims Against Parent

Class 5A consists of all Mortgage Notes Claims against Parent. Mortgage Notes Claims against Parent will be reinstated as of the Effective Date. Class 5A Mortgage Notes Claims against Parent are Unimpaired, and Holders of such Class 5A Mortgage Notes Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5A Mortgage Notes Claims are not entitled to vote to accept or reject the Plan.

6. Class 5B: Mortgage Notes Claims Against PS Stores

Class 5B consists of all Mortgage Notes Claims against PS Stores. Mortgage Notes Claims against PS Stores will be reinstated as of the Effective Date. Class 5B Mortgage Notes Claims against PS Stores are Unimpaired, and Holders of such Class 5B Mortgage Notes Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5B Mortgage Notes Claims are not entitled to vote to accept or reject the Plan.

7. Class 5C: Mortgage Notes Claims Against Miraloma

Class 5C consists of all Mortgage Notes Claims against Miraloma. Mortgage Notes Claims against Miraloma will be reinstated as of the Effective Date. Class 5C Mortgage Notes Claims against Miraloma are Unimpaired, and Holders of such Class 5C Mortgage Notes Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5C Mortgage Notes Claims are not entitled to vote to accept or reject the Plan.

8. Class 6: Qualified Unsecured Trade Claims

Class 6 consists of all Qualified Unsecured Trade Claims against the Debtors. Qualified Unsecured Trade Claims consist of Unsecured Claims directly relating to and arising solely from the receipt of goods and services by the Debtors arising with, and held by, Entities with whom the Debtors are conducting, and with whom the Reorganized Debtors elect to continue to conduct, business as of the Effective Date, which Entities shall have executed a Qualified Vendor Support Agreement prior to or on the date that is forty-five (45) days after the Petition Date.

Except to the extent that a Holder of an Allowed Qualified Unsecured Trade Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Qualified Unsecured Trade Claim, each Holder of an Allowed Qualified Unsecured Trade Claim shall receive payment in full on account of such Qualified Unsecured Trade Claim in the following manner: (i) 50% of the such Allowed Qualified Unsecured Trade Claims to be paid on the Effective Date; and (ii) 50% of the Allowed Qualified Unsecured Trade Claim to be paid on December 15, 2016; provided, however, that Holders of Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees, or penalties on account of such Claims.

Class 6 Qualified Unsecured Trade Claims are Impaired under the Plan. Therefore, Holders of such Qualified Unsecured Trade Claims are entitled to vote to accept or reject the Plan.

9. Class 7: General Unsecured Claims

Class 7 consists of General Unsecured Claims. Except to the extent that a Holder of an Allowed Class 7 General Unsecured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the each Allowed Class 7 General Unsecured Claim, each Holder of an Allowed Class 7 General Unsecured Claim shall receive its Pro Rata share of the General Unsecured Claims Recovery Pool; *provided* that, on the Effective Date, Holders of the deficiency portion of the Term Loan Claims against Parent, PS Stores and Miraloma shall be deemed to have waived their right to receive any distribution from the Class 7 General Unsecured Claims Recovery Pool on account of such deficiency portion of the Term Loan Claims against Parent, PS Stores and Miraloma. Allowed Class 7 General Unsecured Claims shall be paid as soon as reasonably practicable after the reconciliation of all Disputed Class 7 General Unsecured Claims.

Class 7 General Unsecured Claims are Impaired under the Plan. Therefore, Holders of such Class 7 General Unsecured Claims are entitled to vote to accept or reject the Plan.

10. Class 8: Section 510(b) Claims

Class 8 consists of all Section 510(b) Claims. On the Effective Date, all Claims in Class 8 shall be cancelled without any distribution.

Class 8 Section 510(b) Claims are Impaired under the Plan, and Holders of such Class 8 Section 510(b) Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 8 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

11. Class 9: Intercompany Claims

Class 9 consists of all Intercompany Claims. Intercompany Claims will be reinstated as of the Effective Date. Class 9 Intercompany Claims are Unimpaired under the Plan, and the Holders of such Class 9 Intercompany Claims conclusively is presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 9 Intercompany Claims are not entitled to vote to accept or reject the Plan.

12. Class 10: Intercompany Interests

Class 10 consists of all Intercompany Interests. Intercompany Interests will be reinstated as of the Effective Date.

Class 10 Intercompany Interests are Unimpaired under the Plan, and the Holder of such Class 10 Intercompany Interests conclusively is presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holder of Class 10 Intercompany Interests is not entitled to vote to accept or reject the Plan.

13. Parent Interests

Class 11 consists of Parent Interests. Holders of Parent Interests shall not receive any distribution on account of such Interests. On the Effective Date, Parent Interests shall be cancelled and discharged.

Class 11 Parent Interests are Impaired and Holders of such Class 11 Parent Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 11 Parent Interests are not entitled to vote to accept or reject the Plan.

C. Acceptance or Rejection of the Plan

1. Voting Classes

Holders of Claims in each Impaired Class of Claims are entitled to vote as a Class to accept or reject the Plan, other than Classes that are deemed to reject the Plan. Accordingly, the votes of Holders of Claims in Classes 6, and 7 (and Class 4, if such Class is not paid in full in cash) shall be solicited with respect to the Plan. In accordance with section 1126(c) of the Bankruptcy Code, and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if the Plan is accepted by the Holders of at least two-thirds (⅔) in dollar

amount and more than one-half (½) in number of the Allowed Claims in such Class that have timely and properly voted to accept or reject the Plan.

2. Presumed Acceptances by Unimpaired Classes

Classes 1, 2, 3, 5A, 5B, 5C, 9, and 10 are Unimpaired under the Plan. In addition, Class 4 may be Unimpaired under the Plan if Holders of Claims in such Class are paid in full in cash. Under section 1126(f) of the Bankruptcy Code, Holders of such Unimpaired Claims are conclusively presumed to have accepted the Plan, and the votes of such Unimpaired Claim Holders shall not be solicited.

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Claims that are not Impaired, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Claims that are not Impaired. If a controversy arises as to whether any Claims or Interests, or any Class of Claims or Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

3. Impaired Classes Deemed to Reject Plan

Holders of Claims and Interests in Classes 8 and 11 are not entitled to receive or retain any property or interests in property under the Plan. Under section 1126(g) of the Bankruptcy Code, such Holders are deemed to have rejected the Plan, and the votes of such Holders shall not be solicited.

4. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests.

5. Subordinated Claims

Except as expressly provided in the Plan, the allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors and the Reorganized Debtors reserve the right to reclassify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

6. Elimination of Vacant Classes

Any Class of Claims or Interests that does not have a Holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court in an amount

greater than zero as of the date of the Confirmation Hearing shall be considered vacant and deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

7. Intercompany Claims and Intercompany Interests

Distributions on account of Intercompany Claims and Intercompany Interests are not being received by Holders of such Intercompany Claims and Intercompany Interests on account of such Intercompany Claims and Intercompany Interests but for the purposes of administrative convenience, for the ultimate benefit of the Holders of New Parent Interests.

D. Means for Implementation of the Plan

1. Restructuring Transactions

On or after the Effective Date, the Debtors or Reorganized Debtors, as applicable, shall enter into the Restructuring Transactions and shall take any actions as may be necessary or appropriate to effect a restructuring of the corporate and capital structure of the Reorganized Debtors, as and to the extent provided therein. The Restructuring Transactions may include one or more inter-company mergers, consolidations, amalgamations, arrangements, continuances, restructurings, conversions, dissolutions, transfers, liquidations, or other corporate transactions as may be determined by the Debtors or the Reorganized Debtors, as applicable, to be necessary or appropriate. The actions to effect the Restructuring Transactions may include: (i) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (iii) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, or dissolution pursuant to applicable state or provincial law; and (iv) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law in connection with the Restructuring Transactions, regardless of whether such actions are taken on or after the Effective Date.

2. Reorganized Parent

On the Effective Date, the New Board of Reorganized Parent shall be established, and Reorganized Parent shall adopt its New Organizational Documents. The Reorganized Debtors shall be authorized to implement the Restructuring Transactions and adopt any other agreements, documents, and instruments and to take any other actions contemplated under the Plan as necessary or desirable to consummate the Plan, which actions, regardless of whether taken before, before, on or after the Effective Date, shall be deemed to constitute a Restructuring Transaction.

3. Sources of Consideration for Plan Distributions.

The Reorganized Debtors shall fund distributions under the Plan with Cash on hand, including Cash from operations, as well as the following sources of consideration.

(a) New ABL Facility

On the Effective Date, the Reorganized Debtors shall enter into the New ABL Facility. The Reorganized Debtors shall use proceeds of the New ABL Facility to fund ongoing operations and obligations under the Plan, including to pay or refinance the DIP Facility Claims and the ABL Claims in full in cash.

(b) New Money Investment

On the Effective Date, if the Term Loan Lenders are the Winning Bidder, the Reorganized Debtors shall receive the New Money Investment. The Reorganized Debtors shall use proceeds of the New Money Investment to fund ongoing operations. The New Money Investment means a $20 million investment to be made by the Term Loan Lenders or their Affiliates if the Term Loan Lenders are the Winning Bidder, which shall take the form of either debt or equity, or a combination of debt and equity, on terms mutually agreed upon by the Debtors and either the Term Loan Lenders or their Affiliates (as applicable), to be determined at the time of the Filing of the Plan Supplement.

(c) Issuance of New Parent Interests

The issuance of the New Parent Interests by Reorganized Parent is authorized without the need for any further corporate action or without any further action by the Holders of Claims or Interests.

All of the units of New Parent Interests issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance referred to in the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

4. Corporate Existence

Except as otherwise provided in the Plan, each Debtor shall continue to exist after the Effective Date as a separate corporation, limited liability company, partnership, or other form of entity, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form of entity, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other similar formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other similar formation documents) are amended under the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

5. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan, on the Effective Date, all property in each Estate, all Causes of Action, and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective 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, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

6. Cancellation of Securities and Agreements

On the Effective Date, except as otherwise specifically provided for in the Plan: (i) the obligations of the Debtors under the ABL Credit Agreement, the Term Loan Credit Agreement, and any other Certificate, Security, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such certificates, notes, or other instruments or documents evidencing indebtedness or obligation of or ownership interest in the Debtors that are Reinstated pursuant to the Plan), shall be cancelled solely as to the Debtors and their affiliates, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (ii) the obligations of the Debtors and their affiliates pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors (except such agreements, certificates, notes, or other instruments evidencing indebtedness or obligation of or ownership interest in the Debtors that are specifically Reinstated pursuant to the Plan) shall be released and discharged; *provided*, *however*, that notwithstanding Confirmation or Consummation, any such indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of allowing Holders to receive distributions under the Plan; *provided further*, *however*, that the preceding proviso 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 Debtors; *provided further*, *however*, that the foregoing shall not effect the cancellation of shares issued pursuant to the Restructuring Transactions nor any other shares held by one Debtor in the capital of another Debtor; *provided further, however*, that the foregoing shall not impact or cancel the New ABL Facility. Notwithstanding the foregoing, no executory contract or unexpired lease that (i) has been, or will be, assumed pursuant to Section 365 of the Bankruptcy Code, (ii) relates to a claim pursuant to which any of the Debtors has entered into a Qualified Vendor Support Agreement, or (iii) relates to a Claim that was paid in full prior to the Effective Date, shall be terminated or cancelled on the Effective Date.

7. Corporate Action

Upon the Effective Date, all actions contemplated under the Plan, regardless of whether taken before, on or after the Effective Date, shall be deemed authorized and approved in all respects, including: (i) selection of the directors and officers for the Reorganized Debtors; (ii) the issuance of

the New Parent Interests; (iii) implementation of the Restructuring Transactions; (iv) execution of the New ABL Facility Credit Agreement and any and all other agreements, documents, securities, and instruments relating thereto; and (v) all other actions contemplated under the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan or deemed necessary or desirable by the Debtors before, on or after the Effective Date involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan or corporate structure of the Debtors or Reorganized Debtors shall be deemed to have occurred and shall be in effect on the Effective Date, without any requirement of further action by the security holders, directors, or officers of the Debtors or the Reorganized Debtors. Before, on or after the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated under the Plan (or necessary or desirable to effect the transactions contemplated under the Plan) in the name of and on behalf of the Reorganized Debtors, including the New ABL Facility Credit Agreement and any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by Article IV.G of the Plan shall be effective notwithstanding any requirements under non-bankruptcy law. The issuance of the New Parent Interests shall be exempt from the requirements of section 16(b) of the Securities Exchange Act of 1934 (pursuant to Rule 16b-3 promulgated thereunder) with respect to any acquisition of such securities by an officer or director (or a director deputized for purposes thereof) as of the Effective Date.

8. New Organizational Documents

Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Organizational Documents will prohibit the issuance of non-voting equity securities. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Organizational Documents and other constituent documents as permitted by the laws of their respective state, province, or country of incorporation and their respective New Organizational Documents and any such action shall be deemed a Restructuring Transaction deemed to have occurred and be in effect on the Effective Date.

9. Directors, Managers, and Officers of the Reorganized Debtors

As of the Effective Date, the term of the current members of the board of directors of the Debtors shall expire, and the initial boards of directors, including the New Boards, and the officers of each of the Reorganized Debtors shall be appointed by the Winning Bidder in accordance with the respective New Organizational Documents. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of any Person proposed to serve on the initial board of directors or be an officer of any of the Reorganized Debtors. To the extent any such director or officer of the Reorganized Debtors is an "insider" under the Bankruptcy Code, the Debtors also will disclose the nature of any compensation to be paid to such director or officer. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of the Reorganized Debtors.

10. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors, and the officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, the Restructuring Transactions, and the Securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan, provided, that, for the avoidance of doubt, the merger of Stores into Parent, conversion of Stores into a limited liability company, or any other transaction after the Effective Date shall be deemed a Restructuring Transaction deemed to have occurred and be in effect on the Effective Date; *provided*, that, for the avoidance of doubt, the dissolution of PS Stores for tax purposes, merger of PS Stores into Parent or conversion of PS Stores into a limited liability company, or any other transaction after the Effective Date shall be deemed a Restructuring Transaction deemed to have occurred and be in effect on the Effective Date.

11. Section 1146 Exemption

Pursuant to section 1146 of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment.

12. Director and Officer Liability Insurance; Other Insurance

After the Effective Date, the Reorganized Debtors shall not terminate or otherwise reduce the coverage under the Debtors' tail coverage liability insurance (i.e., directors' and officers' liability insurance coverage that extends beyond the end of the policy period) in effect and all members, managers, directors, and officers of the Debtors who served in such capacity at any time prior to the Effective Date of the Plan shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such members, managers, directors, and/or officers remain in such positions after the Effective Date of the Plan.

The Debtors will maintain and, to the extent applicable, assume their directors' and officers', general liability, and other insurance policies. The Debtors will list all current year insurance policies among the Assumed Executory Contracts and Unexpired Lease List.

13. Preservation of Causes of Action

In accordance with section 1123(b) of the Bankruptcy Code, but subject to Article IV.M of the Plan, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding

the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against it. The Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan.** Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, a Qualified Vendor Support Agreement, or a Bankruptcy Court order, the Reorganized Debtors expressly reserve 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 Confirmation or Consummation of the Plan.

In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The applicable Reorganized Debtors, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

Notwithstanding anything to the contrary in the Plan, all Avoidance Actions, except than those elected to be preserved by the Winning Bidder in their sole discretion as set forth in the Plan Supplement, are hereby waived, relinquished, exculpated, released, compromised, and settled.

14. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code and, to the extent that section 1145 of the Bankruptcy Code is inapplicable, section 4(a)(2) of the Securities Act, the issuance of the New Parent Interests as contemplated by the Plan is exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable United States, state, or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, a security. As long as the exemption to registration under section 1145 of the Bankruptcy Code is applicable, the New Parent Interests are not "restricted securities" (as defined in rule 144(a)(3) under the Securities Act) and are freely tradable and transferable by any initial recipient thereof that (x) is not an "affiliate" of the Reorganized Debtors (as defined in rule 144(a)(1) under the Securities Act), (y) has not been such an "affiliate" within 90 days of such transfer, and (z) is not an entity that is an "underwriter" as defined in section 1145(b) of the Bankruptcy Code.

Should the Reorganized Debtors elect on or after the Effective Date to reflect any ownership of the New Parent Interests through the facilities of the DTC, the Reorganized Debtors need not provide any further evidence other than the Plan or the Confirmation Order with respect to the treatment of the New Parent Interests under applicable securities laws. The DTC shall be

required to accept and conclusively rely upon the Plan and Confirmation Order in lieu of a legal opinion regarding whether the New Parent Interests are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services.

Notwithstanding anything to the contrary in the Plan, no Entity (including, for the avoidance of doubt, the DTC) may require a legal opinion regarding the validity of any transaction contemplated by the Plan, including, for the avoidance of doubt, whether the New ABL Facility or the New Parent Interests are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services.

E. Treatment of Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, except as otherwise provided in the Plan, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (i) was assumed or rejected previously by the Debtors; (ii) previously expired or terminated pursuant to its own terms; (iii) is the subject of a motion to assume Filed on or before the Effective Date; (iv) is identified on the Assumed Executory Contracts and Unexpired Lease List; or (v) is one of the License Agreements.

Notwithstanding anything to the contrary contained herein or in the Plan, on the Effective Date, the Employee Plans shall be assumed by the Reorganized Debtors pursuant to the provisions of Article V of the Plan, provided, however, that in respect of any employee included in the Debtors' Key Employee Incentive Plan or Key Employee Retention Plan, the Fiscal 2016 Bonus Plan shall be assumed by the Reorganized Debtors only on a prorated basis for the period after the Effective Date (such that the bonus payable to any such employee under the Fiscal 2016 Bonus Plan shall equal (x) the bonus, if any, payable under the Fiscal 2016 Bonus Plan multiplied by (y) (i) the number of days between the Effective Date and the end of fiscal year 2016, divided by (ii) 365).

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumptions or rejections of such Executory Contracts or Unexpired Leases as set forth in the Plan, the Assumed Executory Contract and Unexpired Leases List, or the Rejected Executory Contract and Unexpired Leases List, pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, assumptions or rejections of Executory Contracts and Unexpired Leases pursuant to the Plan are effective as of the Effective Date or such later date as the Winning Bidder and an objecting counterparty may fix and agree and the Bankruptcy Court approves. Each Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order but not assigned to a third party before the Effective Date shall re-vest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms may have been modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order.

2. Claims Based on Rejection of Executory Contracts or Unexpired Leases

Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, if any, must be filed with the Bankruptcy Court within 30 days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed within such time will be automatically disallowed, forever barred from assertion, and unenforceable against the Debtors or the Reorganized Debtors, the Estates, or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order or approval of the Bankruptcy Court. Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III of the Plan, as applicable.

Rejection Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates, and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided in the Plan. Such Rejection Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII of the Plan.

3. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed

Any monetary defaults under each Executory Contract and Unexpired Lease shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date, subject to the limitations described below, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (i) the amount of any payments to cure such a default, (ii) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (iii) any other matter pertaining to 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 the dispute and approving the assumption.

At least seven (7) days before the deadline to object to confirmation of the Plan, the Debtors shall distribute, or cause to be distributed, Cure Notices of proposed assumption and proposed amounts of Cure Claims to the applicable third parties. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related cure amount must be Filed, served and actually received by the Debtors by the deadline to object to confirmation of the Plan. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or cure amount; *provided, however*, the Debtors and the Winning Bidder shall have the right to alter, amend, modify, or supplement the Assumed Executory Contracts and Unexpired Lease List or Rejected Executory Contracts and Unexpired Lease List, as applicable, as identified in the Plan Supplement, through and including the Effective Date (except that, notwithstanding anything to the contrary contained herein, no such alteration, amendment, modification, or supplement may remove any of the Employee Plans from the Assumed Executory Contracts and Unexpired Lease List). To the

extent that the Debtors and the Winning Bidder alter, amend, modify, or supplement the lists of Executory Contracts and Unexpired Lease included in the Plan Supplement, the Debtors will provide notice to each counterparty to an affected Executory Contract or Unexpired Lease within five days of such decision. To the extent such alteration, amendment, modification, or supplement to the Assumed Executory Contracts and Unexpired Lease List identifies an Executory Contract or Unexpired Lease that was not previously on such list or reduces the calculation of a Cure Claim, the notice provided to each affected counterparty shall provide a deadline of not less than ten (10) Business Days from the date of service of such notice for such affected counterparty to object to the proposed assumption or related Cure Claim.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the date the Debtors or Reorganized Debtors assume such Executory Contract or Unexpired Lease. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

4. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and Executory Contracts and Unexpired Leases related thereto, if any, including easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

5. Reservation of Rights

Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Assumed or Rejected Executory Contract and Unexpired Lease List, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors and the Winning Bidder shall have 28 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

6. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting unexpired leases pursuant to section 365(d)(4) of the Bankruptcy Code.

F. Provisions Governing Distributions

1. Timing and Calculation of Amounts to Be Distributed

Unless otherwise provided in the Plan, on the Effective Date, each Holder of an Allowed Claim shall receive such distributions that the Plan provides for Allowed Claims in each applicable Class in accordance with Article III of the Plan. In the event that 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, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII of the Plan. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for in the Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date. The Debtors shall have no obligation to recognize any transfer of Claims or Interests occurring on or after the Voting Deadline.

2. Disbursing Agent

Distributions under the Plan shall be made by the Disbursing Agent. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

3. Rights and Powers of Disbursing Agent

The Disbursing Agent shall be empowered to: (i) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (ii) make all distributions contemplated hereby; (iii) employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions of the Plan.

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and out-of-pocket expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and out of pocket expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

4. Delivery of Distributions and Undeliverable or Unclaimed Distributions

(a) Delivery of Distribution

Except as otherwise provided in the Plan, the Reorganized Debtors shall make distributions to Holders of Allowed Claims and Allowed Interests on the Effective Date at the address for each such Holder as indicated on the Debtors' records as of the date of any such distribution; *provided*, *however*, that the manner of such distributions shall be determined at the discretion of the Reorganized Debtors.

(b) Minimum Distribution

Notwithstanding any other provision of the Plan, the Disbursing Agent will not be required to make distributions of Cash less than $50 in value, and each such Claim to which this limitation applies shall be discharged pursuant to Article VIII of the Plan and its Holder is forever barred pursuant to Article VIII of the Plan from asserting that Claims against the Debtors or their property.

(c) Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then current address of such Holder, at which time such distribution shall be made to such Holder without interest; provided, however, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one year from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors automatically and without need for a further order by the Bankruptcy Court (notwithstanding any applicable federal, provincial, or state escheat, abandoned or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

5. Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, the Debtors or the Reorganized Debtors, as applicable, shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Disbursing Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Debtors and Reorganized Debtors, as applicable, reserve the right to allocate all distributions made under the Plan in compliance with applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances.

6. Allocations

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

7. Setoffs and Recoupment

The Debtors may, but shall not be required to, setoff against or recoup from any Claims of any nature whatsoever that the Debtors may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such Claim it may have against the Holder of such Claim.

8. Claims Paid or Payable by Third Parties

(a) Claims Paid by Third Parties

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claim objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or the Reorganized Debtors. Subject to the last sentence of this paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or the Reorganized Debtors on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Debtor or the Reorganized Debtors, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Debtor or the Reorganized Debtors annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the two-week grace period specified above until the amount is repaid.

(b) Claims Payable by Third Parties

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(c) Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained therein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

G. Procedures for Resolving Contingent, Unliquidated and Disputed Claims

1. Allowance of Claims

After the Effective Date, the Reorganized Debtors shall have and retain any and all rights and defenses such Debtor had with respect to any Claim or Interest immediately before the Effective Date.

2. Claims Administration Responsibilities

Except as otherwise specifically provided in the Plan, after the Effective Date, the Reorganized Debtors shall have the sole authority: (i) to File, withdraw, or litigate to judgment objections to Claims or Interests; (ii) to settle or compromise any Disputed Claim without any further notice to or action, order, or approval by the Bankruptcy Court; and (iii) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order, or approval by the Bankruptcy Court.

3. Estimation of Claims

Before or after the Effective Date, the Debtors or Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any Claim that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim or Interest, including during the litigation of any objection to any Claim or Interest or during the appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the Claims Register, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim or Interest, that estimated amount shall constitute a maximum limitation on such Claim or Interest for all purposes under the Plan (including for purposes of distributions), and the relevant Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim or Interest.

4. Adjustment to Claims Without Objection

Any Claim or Interest that has been paid or satisfied, or any Claim or Interest that has been amended or superseded, cancelled or otherwise expunged (including pursuant to the Plan), may be adjusted or expunged (including on the Claims Register, to the extent applicable) by the Reorganized Debtors without a Claim objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

5. Time to File Objections to Claims

Any objections to Claims shall be Filed on or before the Claims Objection Deadline (as may be extended by order of the Bankruptcy Court).

6. Disallowance of Claims

Except as otherwise provided in the Plan, any Claims held by Entities from which property is recoverable under section 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy

Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and Holders of such Claims may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court order with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Reorganized Debtors. All Claims Filed on account of an employee benefit shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent the Reorganized Debtors elect to honor such employee benefit (or assume the agreement(s) providing such employee benefit), without any further notice to or action, order, or approval of the Bankruptcy Court.

EXCEPT AS PROVIDED IN THE PLAN OR OTHERWISE AGREED, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE CLAIMS BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.

7. Amendments to Claims

On or after the applicable bar date, a Claim may not be Filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors. Absent such authorization, any new or amended Claim Filed shall be deemed disallowed in full and expunged without any further action.

8. No Distributions Pending Allowance

If an objection to a Claim or portion thereof is Filed as set forth in Article VII.B of the Plan, no payment or distribution provided under the Plan shall be made on account of such Claim or portion thereof unless and until such Disputed Claim becomes an Allowed Claim.

9. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim unless required under applicable bankruptcy law.

H. Settlement, Release, Injunction and Related Provisions

1. Compromise and Settlement of Claims, Interests and Controversies

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating

to the contractual, legal, and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests, and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

2. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent such Claims or Interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (i) a Proof of Claim based upon such debt or right is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (ii) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (iii) the Holder of such a Claim or Interest has accepted the Plan. Any default or "event of default" by the Debtors or Affiliates with respect to any Claim or Interest that existed immediately before or on account of the Filing of the Chapter 11 Cases shall be deemed cured (and no longer continuing) as of the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

3. Release of Liens

Except as otherwise specifically provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

4. Releases by the Debtors

ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, FOR GOOD AND VALUABLE CONSIDERATION, THE RELEASED PARTIES WILL BE AND WILL BE DEEMED TO BE EXPRESSLY, UNCONDITIONALLY, GENERALLY, AND INDIVIDUALLY AND COLLECTIVELY RELEASED, ACQUITTED, AND DISCHARGED BY THE DEBTORS AND THEIR ESTATES AND THE REORGANIZED DEBTORS FROM ANY AND ALL ACTIONS, CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED (OR THAT COULD BE ASSERTED) ON BEHALF OF THE DEBTORS, THEIR ESTATES, OR THE REORGANIZED DEBTORS (AS APPLICABLE), WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT, OR OTHERWISE, BY STATUTE OR OTHERWISE, THAT THE DEBTORS, THE REORGANIZED DEBTORS, THE DEBTORS' ESTATES OR THEIR AFFILIATES (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR INTEREST OR OTHER ENTITY, EVER HAD, NOW HAS OR HEREAFTER CAN, SHALL OR MAY HAVE, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS (INCLUDING THE MANAGEMENT, OWNERSHIP OR OPERATION THEREOF), THE DEBTORS' IN OR OUT OF COURT RESTRUCTURING EFFORTS, THE DEBTOR-IN-POSSESSION CREDIT AGREEMENT, THE ABL CREDIT AGREEMENT, THE TERM LOAN CREDIT AGREEMENT, THE CHAPTER 11 CASES, THE FILING OF THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PARTY, THE RESTRUCTURING OF CLAIMS AND INTERESTS BEFORE OR DURING THE RESTRUCTURING, ANY PREFERENCE OR AVOIDANCE CLAIM PURSUANT TO SECTIONS 544, 547, 548, AND 549 OF THE BANKRUPTCY CODE, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN, THE PURSUIT OF CONFIRMATION, THE PURSUIT OF CONSUMMATION, THE ADMINISTRATION AND IMPLEMENTATION OF THE PLAN, INCLUDING THE ISSUANCE OR DISTRIBUTION OF SECURITIES PURSUANT TO THE PLAN OR THE DISTRIBUTION OF PROPERTY UNDER THE PLAN, THE RESTRUCTURING SUPPORT AGREEMENT, THE PLAN SUPPLEMENT, ANY DISCLOSURE STATEMENT, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS (INCLUDING, FOR THE AVOIDANCE OF DOUBT, PROVIDING ANY LEGAL OPINION REQUESTED BY ANY ENTITY REGARDING ANY TRANSACTION, CONTRACT, INSTRUMENT, DOCUMENT, OR OTHER AGREEMENT CONTEMPLATED BY THE PLAN OR THE RELIANCE BY ANY RELEASED PARTY ON THE PLAN OR THE ORDER CONFIRMING THE PLAN IN LIEU OF SUCH LEGAL OPINION), OR ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE RELATING TO THE DEBTORS TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE OF THE PLAN, EXCEPT FOR ANY CLAIMS AND CAUSES OF ACTION FOR ACTUAL FRAUD.

5. Releases by Holders

ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A RELEASED PARTY) SHALL BE DEEMED TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY AND INDIVIDUALLY AND COLLECTIVELY, RELEASED, ACQUITTED AND DISCHARGED THE RELEASED PARTIES FROM ANY AND ALL ACTIONS, CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED (OR THAT COULD BE ASSERTED) ON BEHALF OF THE DEBTORS, THEIR ESTATES, OR THE REORGANIZED DEBTORS (AS APPLICABLE), WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT, OR OTHERWISE, BY STATUTE OR OTHERWISE, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS (INCLUDING THE MANAGEMENT, OWNERSHIP OR OPERATION THEREOF), THE DEBTORS' IN OR OUT OF COURT RESTRUCTURING EFFORTS, THE DEBTOR-IN-POSSESSION CREDIT AGREEMENT, THE ABL CREDIT AGREEMENT, THE TERM LOAN CREDIT AGREEMENT, THE CHAPTER 11 CASES, THE FILING OF THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PARTY, THE RESTRUCTURING OF CLAIMS AND INTERESTS BEFORE OR DURING THE RESTRUCTURING, THE NEGOTIATION, ANY PREFERENCE OR AVOIDANCE CLAIM PURSUANT TO SECTIONS 544, 547, 548, AND 549 OF THE BANKRUPTCY CODE, FORMULATION, OR PREPARATION OF THE PLAN, THE PURSUIT OF CONFIRMATION, THE PURSUIT OF CONSUMMATION, THE ADMINISTRATION AND IMPLEMENTATION OF THE PLAN, INCLUDING THE ISSUANCE OR DISTRIBUTION OF SECURITIES PURSUANT TO THE PLAN OR THE DISTRIBUTION OF PROPERTY UNDER THE PLAN, THE RESTRUCTURING SUPPORT AGREEMENT, THE PLAN SUPPLEMENT, ANY DISCLOSURE STATEMENT, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS (INCLUDING, FOR THE AVOIDANCE OF DOUBT, PROVIDING ANY LEGAL OPINION REQUESTED BY ANY ENTITY REGARDING ANY TRANSACTION, CONTRACT, INSTRUMENT, DOCUMENT, OR OTHER AGREEMENT CONTEMPLATED BY THE PLAN OR THE RELIANCE BY ANY RELEASED PARTY ON THE PLAN OR THE ORDER CONFIRMING THE PLAN IN LIEU OF SUCH LEGAL OPINION), OR ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE RELATING TO THE DEBTORS TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE OF THE PLAN, EXCEPT FOR ANY CLAIMS AND CAUSES OF ACTION FOR ACTUAL FRAUD; PROVIDED, HOWEVER, THAT INDEMNITY OBLIGATIONS UNDER THE DIP FACILITY AND THE OBLIGATIONS UNDER THE NEW ABL FACILITY SHALL NOT BE RELEASED HEREUNDER.

Releasing Parties means, collectively, (a) the Debtors; (b) the Reorganized Debtors; (c) ABL Lender; (d) the ABL Agent; (e) the Term Loan Lenders; (f) the Term Loan Agent; (g) Holders of Series B Preferred Stock and/or any other Parent Interests into which any such shares of Series B

Preferred Stock have been converted; (h) the DIP Facility Lenders; (i) the DIP Agent; (j) the New ABL Agent; (k) the New ABL Lender; (l) the Winning Bidder; (m) all Holders of Claims that vote to accept or are deemed to accept the Plan; (n) all Holders of Claims entitled to vote for or against the Plan who abstain from voting and who do not opt out of the releases provided for in the Plan; (o) all Holders of Claims and Interests to the maximum extent permitted by law; and (p) with respect to each of the entities named in (a)–(o) above, such entities' respective current and former affiliates, and such entities' and their current and former affiliates' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and each of their current and former officers, managers, directors, equity holders, principals, members, employees, agents, managed accounts or funds, management companies, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

6. Exculpation

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN OR PLAN SUPPLEMENT, NO EXCULPATED PARTY SHALL HAVE OR INCUR, AND EACH EXCULPATED PARTY IS HEREBY RELEASED AND EXCULPATED FROM ANY EXCULPATED CLAIM, OBLIGATION, CAUSE OF ACTION OR LIABILITY FOR ANY EXCULPATED CLAIM, EXCEPT FOR ACTUAL FRAUD OR WILLFUL MISCONDUCT, BUT IN ALL RESPECTS SUCH ENTITIES SHALL BE ENTITLED TO REASONABLY RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO THEIR DUTIES AND RESPONSIBILITIES PURSUANT TO THE PLAN. THE EXCULPATED PARTIES HAVE PARTICIPATED IN ANY AND ALL ACTIVITIES POTENTIALLY UNDERLYING ANY EXCULPATED CLAIM IN GOOD FAITH AND IN COMPLIANCE WITH ALL APPLICABLE LAWS.

7. Injunction

FROM AND AFTER THE EFFECTIVE DATE, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR FOR OBLIGATIONS ISSUED OR REQUIRED TO BE PAID PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES THAT HAVE HELD, HOLD, OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.D OR ARTICLE VIII.E OF THE PLAN, SHALL BE DISCHARGED PURSUANT TO ARTICLE VIII.B OF THE PLAN, OR ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VIII.F OF THE PLAN, ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE DEBTORS, THE REORGANIZED DEBTORS, OR THE RELEASED PARTIES: (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (II) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (III) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR ENCUMBRANCE OF ANY KIND AGAINST SUCH

ENTITIES OR THE PROPERTY OR THE ESTATES OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (IV) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM SUCH ENTITIES OR AGAINST THE PROPERTY OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH SETOFF RIGHT IN A DOCUMENT FILED WITH THE BANKRUPTCY COURT EXPLICITLY PRESERVING SUCH SETOFF, AND NOTWITHSTANDING AN INDICATION OF A CLAIM OR INTEREST OR OTHERWISE THAT SUCH ENTITY ASSERTS, HAS, OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF PURSUANT TO APPLICABLE LAW OR OTHERWISE; AND (V) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED OR SETTLED PURSUANT TO THE PLAN.

8. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order), shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect after the Effective Date in accordance with their terms.

I. Conditions Precedent to Confirmation and Consummation of the Plan

1. Conditions Precedent to Confirmation

It shall be a condition to Confirmation that all provisions, terms, and conditions in Article IX of the Plan are approved in the Confirmation Order.

2. Conditions Precedent to the Effective Date

It shall be a condition to the Effective Date of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article IX.C of the Plan:

(i) the Plan, the Confirmation Order, the New ABL Facility Credit Agreement and the New Term Loan Credit Agreement shall be in form and substance consistent in all material respects with the Restructuring Support Agreement and, to the extent the Plan, the Confirmation Order, the New Term Loan Credit Agreement or the New ABL Facility Credit Agreement contain terms not expressly contemplated by the Restructuring Support Agreement, otherwise acceptable in all respects to the Debtors and the Term Loan Lenders in their respective sole discretion, and each of the foregoing shall be in full force and effect;

(ii) the assumption of the License Agreements shall have been approved by a Final Order of the Bankruptcy Court (or other court of competent jurisdiction), and any and all conditions to assumption thereof shall have been satisfied;

(iii) the rejection of any Executory Contracts or Unexpired Leases identified for rejection shall have been approved by a Final Order of the Bankruptcy Court (or other court of competent jurisdiction), and any and all conditions to rejection thereof shall have been satisfied;

(iv) the Bankruptcy Court shall have entered the Confirmation Order and the Confirmation Order shall have become a Final Order;

(v) the Restructuring Support Agreement shall not have been terminated and shall be in full force and effect and assumed in connection with Confirmation;

(vi) all reasonable and documented fees and out-of-pocket costs and expenses of the New ABL Agent, New ABL Lenders, DIP Agent, DIP Lenders, ABL Agent, the ABL Lender, the Term Loan Agent, and the Term Loan Lenders shall have been paid in full in cash by the Debtors;

(vii) the amount of (a) non-ordinary course Allowed Administrative Claims shall not exceed an aggregate of $8.0 million, provided that, for the avoidance of doubt, ordinary course Administrative Claims include (i) Claims under section 503(b)(9) of the Bankruptcy Code, (ii) Claims in respect of postpetition payroll and employee benefits, (iii) Claims by vendors or utility companies for postpetition goods and services, (iv) Accrued Professional Compensation Claims (including any "transaction fee"), (v) Claims for professional fees asserted by professionals employed by the lenders (including any "transaction fee"), (vi) Claims in respect of postpetition taxes, (vii) Claims by landlords for stub rent, (viii) Claims for accrued postpetition interest on the ABL Claims, the Term Loan Claims and Mortgage Notes, (ix) Claims for accrued postpetition royalties, (x) Claims for accrued obligations owing to the ABL Lender on account of postpetition payment card obligations, (xi) Claims in respect of gift cards purchased postpetition, (xii) Claims for any severance payment to any employees terminated postpetition, (xiii) Cure Claims, and (xiv) payments in respect of any key employee retention or incentive programs approved by the Court, in each case subject to the budget set forth in the DIP Order and to the exit budget; (b) non-ordinary course Allowed Priority Non-Tax Claims shall not exceed an aggregate of $1.0 million, provided that, for the avoidance of doubt, ordinary course Priority Non-Tax Claims include Claims in respect of prepetition payroll and employee benefits and Claims in respect of gift cards purchased prepetition, in each case as set forth and described in the motions filed by the Debtors on or about the Petition Date and subject to the budget set forth in the DIP Order and to the exit budget; and (c) Allowed Other Secured Claims shall not exceed an aggregate of $3.0 million, in each case unless otherwise agreed to by the Winning Bidder; and

(viii) all governmental and third party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Plan

shall have been obtained, not be subject to unfulfilled conditions, and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent, or otherwise impose materially adverse conditions on such transactions.

3. Waiver of Conditions

The conditions to Confirmation and to Consummation set forth in Article IX of the Plan may be waived by the Debtors, with the advance written consent of the Winning Bidder, without notice, leave, or order of the Bankruptcy Court or any formal action other than proceeding to confirm or consummate the Plan.

4. Effect of Failure of Conditions

If the Consummation of the Plan does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (i) constitute a waiver or release of any Claims by the Debtors, any Holders, or any other Entity; (ii) prejudice in any manner the rights of the Debtors, any Holders, or any other Entity; or (iii) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any Holders, or any other Entity in any respect.

J. Modification, Revocation, or Withdrawal of the Plan

1. Modifications and Amendments

Except as otherwise specifically provided in the Plan, the Debtors reserve the right to modify the Plan, subject to the advance written consent of both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders), whether such modification is material or immaterial, and seek Confirmation consistent with the Bankruptcy Code. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 (as well as those restrictions on modifications set forth in the Plan), the Debtors expressly reserve their respective rights to revoke or withdraw, to alter, amend or modify the Plan, subject to the advance written consent of both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders), with respect to such Debtor, one or more times, before or after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan, or remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan, provided, however, that no modification shall change the treatment of any of the DIP Agent, DIP Lenders, ABL Agent, or ABL Lender without such party or parties' consent in its or their sole and absolute discretion.

2. Effect of Confirmation on Modifications

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan since the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

3. Revocation or Withdrawal of Plan

The Debtors, subject to the advance written consent of both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders), reserve the right to revoke or withdraw the Plan before the Confirmation Date and to file subsequent plans of reorganization. If the Debtors, subject to the advance written consent of both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders), revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (i) the Plan shall be null and void in all respects; (ii) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of the Claims or Interests or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (iii) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of such Debtor, any Holder, or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by such Debtor, any Holder, or any other Entity.

K. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction to:

(a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, Secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount, or allowance of Claims or Interests;

(b) decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals (including Accrued Professional Compensation Claims) authorized pursuant to the Bankruptcy Code or the Plan;

(c) resolve any matters related to: (a) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Cure Claims pursuant to section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying or supplementing, after the Effective Date, pursuant to Article V, the Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory, expired, or terminated;

(d) ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;

(e) adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

(f) adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

(g) enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan, the Plan Supplement, or the Disclosure Statement;

(h) enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

(i) resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with Consummation, including interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

(j) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

(k) resolve any cases, controversies, suits, disputes or Causes of Action with respect to the releases, injunctions and other provisions contained in Article VIII of the Plan, and enter such orders as may be necessary or appropriate to implement such releases, injunctions and other provisions;

(l) resolve any cases, controversies, suits, disputes or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim for amounts not timely repaid pursuant to Article VI.H.1 of the Plan;

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

(n) determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement or the Confirmation Order;

(o) enter an order or Final Decree concluding or closing any of the Chapter 11 Cases;

(p) adjudicate any and all disputes arising from or relating to distributions under the Plan;

(q) consider any modifications of the Plan, to cure any defect or omission or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;

(r) determine requests for the payment of Claims entitled to priority pursuant to section 507 of the Bankruptcy Code;

(s) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

(t) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Restructuring Transactions, whether they occur before, on or after the Effective Date;

(u) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(v) hear and determine all disputes involving the existence, nature, scope, or enforcement of any exculpations, discharges, injunctions, and releases granted in connection with and under the Plan, including under Article VIII of the Plan;

(w) enforce all orders previously entered by the Bankruptcy Court; and

(x) hear any other matter not inconsistent with the Bankruptcy Code.

V. PROJECTED FINANCIAL INFORMATION

The Debtors have attached their projected financial information (the "Projections") as **Exhibit B** to this Disclosure Statement. The Debtors believe that the Plan meets the feasibility requirement set forth in section 1129(a)(11) of the Bankruptcy Code, as Confirmation is not likely to be followed by liquidation or the need for further financial reorganization of the Reorganized Debtors. In connection with the development of the Plan and for the purposes of determining whether the Plan satisfies this feasibility standard, the Debtors analyzed the ability of the Reorganized Debtors to satisfy their financial obligations while maintaining sufficient liquidity and capital resources.

The Debtors do not, as a matter of course, publish their business plans or strategies, projections, or anticipated financial position. Accordingly, the Debtors do not anticipate that they or the Reorganized Debtors will, and disclaim any obligation to, furnish updated financial projections to Holders of Claims or other parties in interest after the Confirmation Date or otherwise make such information public.

In connection with the planning and development of the Plan, the Projections were prepared to present the anticipated impact of the Plan. The Projections assume that the Plan will be implemented in accordance with its stated terms. The Projections are based on forecasts of key economic variables and may be significantly impacted by, among other factors, changes in the competitive environment, regulatory changes and/or a variety of other factors, including those factors listed in the Plan and the Disclosure Statement. Accordingly, the estimates and assumptions underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive uncertainties. Therefore, such Projections, estimates and assumptions are not necessarily indicative of current values or future performance, which may be significantly less or more favorable than set forth herein.

The Projections contain certain statements that are considered "forward-looking statements" under the federal securities laws. Statements concerning these and other matters are not guarantees of the Debtors' future performance. Such forward-looking statements represent the Debtors' estimates and assumptions only as of the date such statements were made and involve known and unknown risks, uncertainties, and other unknown factors that could impact the Debtors' restructuring plans or cause the actual results of the Debtors to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes," "belief," "expects," "intends," "anticipates," "plans," or similar terms to be uncertain and forward-looking. There can be no assurance that the restructuring transactions described in the Disclosure Statement will be consummated.

The Projections should be read in conjunction with the assumptions, qualifications, and explanations set forth in this Disclosure Statement and the Plan. Creditors and other interested parties should also read the following section entitled "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

VI. RISK FACTORS

A. Risks Related to Bankruptcy

1. Parties May Object to the Plan's Classification of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan 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 Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. The Debtors May Not Be Able to Obtain Confirmation of the Plan

With regard to any proposed plan of reorganization, the Debtors may not receive the requisite acceptances to confirm a plan. In the event that votes from Claims in Classes entitled to vote are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the

Debtors intend to seek Confirmation of the Plan by the Bankruptcy Court. If the requisite acceptances are not received, the Debtors may nevertheless seek Confirmation of the Plan notwithstanding the dissent of certain Classes of Claims. The Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an Impaired Class of Claims if it determines that the plan satisfies section 1129(b) of the Bankruptcy Code. To confirm a plan over the objection of a dissenting Class, the Bankruptcy Court also must find that at least one Impaired Class has accepted the plan, with such acceptance being determined without including the acceptance of any "insider" in such Class.

Even if the requisite acceptances of a proposed plan are received, the Bankruptcy Court might not confirm the Plan as proposed if the Bankruptcy Court finds that any of the statutory requirements for confirmation under section 1129 of the Bankruptcy Code have not been met.

If the Plan is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors would be able to reorganize their businesses and what, if any, distributions Holders of Claims ultimately would receive with respect to their Claims. There can be no assurance that the Debtors will be able to successfully develop, prosecute, confirm and consummate an alternative plan that is acceptable to the Bankruptcy Court and the Debtors' creditors.

3. The Conditions Precedent to the Effective Date of the Plan May Not Occur

As more fully set forth in the Plan, the Effective Date is subject to several conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not occur.

4. The Restructuring Support Agreement May Be Terminated

The Restructuring Support Agreement may be terminated upon the occurrence of any of the termination events described therein, including the failure of the Debtors to meet several milestones in the Chapter 11 Cases . If the Restructuring Support Agreement is terminated, the Consenting Term Loan Parties will no longer be required to proceed under the Restructuring Support Agreement.

B. Risks Related to the Reorganized Debtors' Businesses

1. The Reorganized Debtors May Not Be Able to Achieve Their Projected Financial Results

The Projections set forth in Exhibit B to this Disclosure Statement represent the Debtors' best estimate of the Reorganized Debtors' future financial performance based on currently known facts and assumptions. The Reorganized Debtors' actual financial results may differ significantly from the Projections. If the Reorganized Debtors do not achieve their projected financial results, the value of the New Parent Interests may be negatively affected and the Reorganized Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements. In addition, if the Reorganized Debtors do not achieve their projected

financial results, they may not be able to satisfy the terms and conditions of the New ABL Facility. If the Reorganized Debtors default under the terms of the New ABL Facility, the lender under the New ABL Facility may exercise remedies against the Reorganized Debtors and their assets. The Debtors may be unable to obtain new financing with which to refinance the New ABL Facility and operate their businesses.

2. If the Reorganized Debtors Lose Key Executive Officers, Their Businesses Could Be Disrupted and the Debtors' Financial Performance Could Suffer

The Debtors' businesses depend upon the efforts, abilities and expertise of the Debtors' executive officers and other key employees. The Debtors can provide no assurance that the Reorganized Debtors will be able to retain the services of any of the Debtors' key executives. If any of the Debtors' key executives were to leave the Reorganized Debtors' employment, the Reorganized Debtors' operating results could be adversely affected.

3. The Reorganized Debtors Could Be Engaged in Litigation

The Reorganized Debtors may be subject to various claims and legal actions arising in the ordinary course of their businesses. The Debtors are not able to predict the nature and extent of any such claims or legal actions, and cannot guarantee that the ultimate resolution of such claims or legal actions will not have a material adverse effect on the Reorganized Debtors.

C. Risks Related to Financial Information

1. The Financial Information Is Based on the Debtors' Books and Records and No Audit Was Performed

The financial information contained in this Disclosure Statement has not been audited. In preparing this Disclosure Statement, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used reasonable efforts to assure the accuracy of the financial information provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the financial information contained herein and attached hereto is without inaccuracies.

2. The Financial Projections Are Not Assured and Are Subject to Inherent Uncertainty

This Disclosure Statement contains various projections concerning the financial results of the Reorganized Debtors' operations, including the Projections, that are, by their nature, forward looking, and which projections are necessarily based on certain assumptions and estimates. Should any or all of these assumptions or estimates ultimately prove to be incorrect, the actual future experiences of the Reorganized Debtors may turn out to be materially different from the financial projections. Specifically, the Projections contained in this Disclosure Statement reflect numerous assumptions concerning the anticipated future performance of the Reorganized Debtors, some of which may not materialize, including, without limitation, assumptions concerning: (a) the timing of Confirmation of the Plan and the Effective Date; (b) the Reorganized Debtors' ability to maintain or

increase revenues and gross margins, control future operating expenses or make necessary capital expenditures; (c) general business and economic conditions; (d) overall industry performance and trends; and (e) consumer preferences supporting the Reorganized Debtors' business plan.

D. Risks Related to Income Taxation

There are several income tax considerations, risks, and uncertainties associated with the Plan. Interested parties should read carefully the discussions set forth in Section IX of this Disclosure Statement regarding certain United States federal income tax consequences of the transactions proposed by the Plan.

VII. CONFIRMATION OF THE PLAN

A. The 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 Bankruptcy Court has scheduled the Confirmation Hearing to commence on [DATE], 2016 at [TIME] (prevailing Eastern Time), before the Honorable [_____], United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 5th Floor, Wilmington, Delaware 19801. 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.

Objections to Confirmation of the Plan must be filed and served so that they are actually received by no later than [DATE], 2015 at [TIME] (prevailing Eastern Time). **Unless objections to Confirmation of the Plan are timely served and filed in compliance with the Disclosure Statement Order, they may not be considered by the Bankruptcy Court**.

B. Requirements for Confirmation of the Plan

Among the requirements for the Confirmation of the Plan is that the Plan (i) is accepted by all Impaired Classes of Claims, or, if rejected by an Impaired Class of Claims, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Impaired Class of Claims; (ii) is feasible; and (iii) is in the "best interests" of Holders of Claims.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (i) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11 of the Bankruptcy Code; (ii) the Debtors have complied or will have complied with all of the necessary requirements of chapter 11 of the Bankruptcy Code; and (iii) the Plan has been proposed in good faith. Specifically, in addition to other applicable requirements, the Debtors believe that the Plan satisfies or will satisfy the following applicable Confirmation requirements of section 1129 of the Bankruptcy Code:

- The Plan complies with the applicable provisions of the Bankruptcy Code.

- The Debtors, as the Plan proponents, have 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 payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment: (1) made before the Confirmation of the Plan is reasonable; or (2) is subject to the approval of the Bankruptcy Court as reasonable, if it is to be fixed after Confirmation of the Plan.

- Either each Holder of a Claim in an Impaired Class of Claims has accepted the Plan, or will receive or retain under the Plan on account of such Claim 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 Debtors were liquidated on the Effective Date of the Plan under chapter 7 of the Bankruptcy Code.

- Each Class of Claims that is entitled to vote on the Plan will have accepted the Plan, or the Plan can be confirmed without the approval of a Class that did not accept the Plan pursuant to section 1129(b) of the Bankruptcy Code.

- Except to the extent a different treatment is agreed to, the Plan provides that all Administrative Claims and Allowed Priority Claims will be paid in full on the Effective Date, or as soon thereafter as is reasonably practicable.

- At least one Class of Impaired Claims will have accepted the Plan, determined without including any acceptance of the Plan by any insider holding a Claim in that Class.

- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successors thereto.

- All accrued and unpaid fees of the type described in 28 U.S.C. § 1930, including the fees of the U.S. Trustee, will be paid as of the Effective Date.

C. Best Interests of Creditors/Liquidation Analysis

Often called the "best interests of creditors" test, section 1129(a)(7) of the Bankruptcy Code requires that a Bankruptcy Court find, as a condition to confirmation of a chapter 11 plan, that the plan provides, with respect to each impaired class, that each holder of a claim or an interest in such class either (i) has accepted the plan or (ii) will receive or retain under the plan property of a value that is not less than the amount that such holder would receive or retain if the debtor liquidated under chapter 7 on the Effective Date. To make these findings, the Bankruptcy Court must: (a) estimate the cash liquidation proceeds that a chapter 7 trustee would generate if each of the Debtors' Chapter 11 Cases were converted to a chapter 7 case on the Effective Date and the assets of the Debtors' Estates were liquidated; (b) determine the liquidation distribution that each non-accepting Holder of a Claim or an Interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and (c) compare the Holder's liquidation distribution to the distribution under the Plan that the Holder would receive if the Plan were confirmed and consummated.

The Debtors have attached hereto as **Exhibit C** a liquidation analysis prepared by the Debtors' management with the assistance of FTI and Guggenheim. Based on this liquidation analysis, the Debtors believe that Holders of Claims will receive equal or greater value as of the Effective Date under the Plan than such Holders would receive in a chapter 7 liquidation.

D. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the Debtors, or any successor to the Debtors (unless such liquidation or reorganization is proposed in the plan). To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed the ability of the Reorganized Debtors to meet their respective obligations under the Plan. As part of this analysis, the Debtors prepared the Projections, as set forth on **Exhibit B** attached hereto. Based upon the Projections, the Debtors believe that the Reorganized Debtors will own viable businesses following the Effective Date and that the Plan therefore meets the feasibility requirements of the Bankruptcy Code.

E. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, that, except as described in the following section, each class of claims or interests that is impaired under a plan accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required.

A class is "impaired" unless a plan: (a) leaves unaltered the legal, equitable and contractual rights to which the claim or the interest entitles the holder of such claim or interest; or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of allowed claims in that class, counting only those claims that actually voted to accept or reject the plan. Thus, a Class of Impaired Claims will have voted to accept the Plan only if two-thirds in amount and a majority in number actually voting cast their Ballots in favor of acceptance.

The Holders of Term Loan Claims in Class 4, unless paid in full in, constitute an Impaired class that, if they vote to accept the Plan, would satisfy section 1129(a)(10) of the Bankruptcy Code because the Term Loan Lenders are not "insiders" under the Bankruptcy Code. Section 101 of the Bankruptcy Code defines "insider" as: (a) an entity that owns 20% or more of the outstanding voting securities of the debtor; (b) a director of the debtor; (c) an officer of the debtor; (d) a person in control of the debtor; (e) a partnership in which the debtor is a general partner; (f) a general partner of the debtor; or (g) a relative of a general partner, director, officer, or person in control of the debtor. Additionally, courts have held that certain entities that maintain both a close relationship with the debtor and have engaged in transactions that were not conducted fairly or at arm's length may also be deemed "insiders."

The Debtors do not believe that any of these categories applies to the Holders of Term Loan Claims. While the Term Loan Lenders have appointed two members of Parent's board of directors, those two directors are a minority of the board, meaning neither they nor the Term Loan Lenders (by proxy) have control of the Debtors. Moreover, all transactions between the Debtors and the Term Loan Lenders and Term Loan Agent, including the Term Loan Credit Agreement, the Restructuring Support Agreement, and the transactions contemplated by the Plan, have been negotiated and conducted fairly and at arm's length, as evidenced by the Investigation. As to the remaining categories, the Term Loan Lenders and the Term Loan Agent do not own 20% or more of Parent's voting securities and they are not directors, officers, or general partners of Parent (nor a relative of a director, officer, or general partner of Parent).

F. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan even if all impaired classes have not accepted it, provided that the plan has been accepted by at least one impaired class of claims, determined without including the acceptance of the plan by any insider. Notwithstanding an impaired class's rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent's request, in a procedure commonly known as "cramdown," so long as the plan does not "discriminate unfairly" (as discussed below) and is "fair and equitable" (as discussed below) with respect to each class of claims or interests that is impaired under, and has not accepted, the plan.

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors shall request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke, or withdraw the Plan, the Plan Supplement, or any schedule or exhibit, including to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary, subject to the written approval of the Term Loan Lenders.

1. No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that reject or are deemed to have rejected a plan and that are of equal priority with another class of claims or interests that is receiving different treatment under such plan. The test does not require that the treatment of such classes of claims or interests be the same or equivalent, but that such treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly, and, accordingly, a plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class. The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that it does not "discriminate unfairly" against any rejecting Class.

2. Fair and Equitable Test

The "fair and equitable" test applies to classes that reject or are deemed to have rejected a plan and are of different priority and status vis-à-vis another class (*e.g.*, secured versus unsecured

claims, or unsecured claims versus equity interests), and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class, including interest. As to the rejecting class, the test sets different standards depending upon the type of claims or interests in such rejecting class. The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that the applicable "fair and equitable" standards are met.

VIII. CERTAIN SECURITIES LAW MATTERS

A. New Parent Interests

The Plan provides for the issuance of 100% of the New Parent Interests to the Term Loan Lenders.

The Debtors believe the New Parent Interests constitute "securities," as defined in Section 2(a)(1) of the United States Securities Act of 1933, as amended (the "Securities Act"), section 101 of the Bankruptcy Code and the applicable securities regulatory authority of any state under any state securities law ("Blue Sky Laws"). The Debtors further believe that the offer and sale of the New Parent Interests pursuant to the Plan are, and subsequent transfers of the New Parent Interests by the Holders thereof that are not "underwriters," as defined in Section 2(a)(11) of the Securities Act and in the Bankruptcy Code will be, exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code, and Blue Sky Laws.

B. Issuance and Resale of New Parent Interests Under the Plan

1. Exemptions from Registration Requirements of the Securities Act

The Debtors believe that, subject to certain exceptions described below, various provisions of the Securities Act, the Bankruptcy Code, and Blue Sky Laws exempt from federal and state securities registration requirements (a) the offer and sale of securities pursuant to the Plan and (b) subsequent transfers of such securities.

The Debtors have not filed a registration statement under the Securities Act or any other federal or state securities laws with respect to the New Parent Interests that may be deemed to be offered by virtue of the Solicitation.

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any Blue Sky Law requirements) will 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 such claim against, interest in, or claim for administrative expense, or are issued principally in such exchange and partly for cash or property. In reliance upon this exemption, the offer and sale of the New Parent Interests will not be registered under the Securities Act or any Blue Sky Laws.

To the extent that the issuance of the New Parent Interests is covered by section 1145 of the Bankruptcy Code, the New Parent Interests may be resold without registration under the Securities Act or other federal securities laws, unless the Holder is an "underwriter" (as discussed below), as

that term is defined in section 2(a)(11) of the Securities Act and in section 1145(b)(1) of the Bankruptcy Code, with respect to such securities. In addition, the New Parent Interests generally may be resold without registration under state securities laws pursuant to various exemptions provided by the respective Blue Sky Law of those states; however, the availability of such exemptions cannot be known unless individual Blue Sky Laws are examined.

The Debtors may also rely on section 4(a)(2) and/or any other applicable section of the Securities Act, the Bankruptcy Code, and similar state law provisions, and to the extent applicable, on Regulation D under the Securities Act ("Regulation D") and/or any other applicable regulation or similar state law provisions, to exempt from registration under the Securities Act and any applicable state securities laws the offer of any securities that may be deemed to be made pursuant to the Solicitation. Section 4(a)(2) exempts from the registration provisions of the Securities Act any transaction by an issuer not involving any public offering. Regulation D similarly exempts from the registration provisions under the Securities Act offerings of securities to "accredited investors," as such term is defined under Regulation D, and a limited number of other investors.

Recipients of the New Parent Interests are advised to consult with their own legal advisors as to the applicability of section 1145 of the Bankruptcy Code to the New Parent Interests and the availability of any exemption from registration under the Securities Act (including, without limitation, section 4(a)(2) and Regulation D) and applicable Blue Sky Laws.

2. Resale of New Parent Interests and Definition of Underwriter

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, a 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 with respect to such securities within the meaning of section 2(a)(11) of the Securities Act. A person who receives a fee in exchange for purchasing an issuer's securities could be considered an underwriter within the meaning of that section.

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) of the Securities Act, 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. In addition, 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 New Parent Interests by entities deemed to be "underwriters" (which definition includes "controlling persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Such Entities deemed to be "underwriters" would generally not be permitted to resell New Parent Interests unless such securities were registered under the Securities Act or other exemptions from such registration requirements were available. Under certain circumstances, holders of New Parent Interests who are deemed to be "underwriters" may be entitled to resell their New Parent Interests pursuant to the non-exclusive safe harbor resale provisions of Rule 144 and Rule 144A of the Securities Act.

Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such person if volume limitations, manner of sale requirements and certain other conditions are met. However, the Debtors do not presently intend to make publicly available the requisite current information regarding the Reorganized Debtors, and as a result, Rule 144 of the Securities Act will likely not be available for resale of New Parent Interests by persons deemed to be "underwriters."

Rule 144A of the Securities Act provides a non-exclusive safe harbor exemption from the registration requirements of the Securities Act for resales to certain "qualified institutional buyers" of securities that are "restricted securities" within the meaning of the Securities Act, irrespective of whether the seller of such securities purchased its securities with a view towards reselling such securities, if certain other conditions are met (*e.g.*, the availability of information required by paragraph 4(d) of Rule 144A of the Securities Act and certain notice provisions). Under Rule 144A of the Securities Act, a "qualified institutional buyer" is defined to include, among other persons, "dealers" registered as such pursuant to section 15 of the Securities Exchange Act of 1934 (the "Exchange Act"), and entities that purchase securities for their own account or for the account of another "qualified institutional buyer" and that, in the aggregate, own and invest on a discretionary basis at least $100 million in the securities of unaffiliated issuers.

Whether any particular person would be deemed to be an "underwriter" (including whether such person is a "controlling person") or a "qualified institutional buyer" with respect to New Parent Interests would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be deemed an "underwriter" or "qualified institutional buyer" with respect to New Parent Interests and, in turn, whether any person may freely resell or receive New Parent Interests. The Debtors recommend that potential recipients of New Parent Interests consult their own counsel concerning their ability to freely trade such securities in compliance with applicable federal and state securities laws.

IX. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE

APPLICABILITY AND EFFECT OF ANY FEDERAL, STATE, LOCAL, OR FOREIGN TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

This discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Debtors and to certain Holders of Claims that are entitled to vote to accept or reject the Plan. This discussion is provided for information purposes only, and is based on provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations promulgated thereunder, judicial authorities, and current published administrative rulings and practice of the United States Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the United States federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly, and adversely, affect the United States federal income tax consequences of the Plan.

The following summary does not address the U.S. federal income tax consequences to Holders of Claims not entitled to vote to accept or reject the Plan. In addition, to the extent that the following discussion relates to the consequences to Holders of Claims entitled to vote to accept or reject the Plan, it is limited to Holders that are United States persons within the meaning of the IRC. For purposes of the following discussion, a "United States person" is any of the following:

- An individual who is a citizen or resident of the United States;
- A corporation created or organized under the laws of the United States or any state or political subdivision thereof;
- An estate, the income of which is subject to federal income taxation regardless of its source; or
- A trust that (a) is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to the Debtors or a particular Holder in light of its particular facts and circumstances, or to certain types of Holders subject to special treatment under the IRC or other applicable tax rules or regulations, and does not address any tax consequences related to the holding or disposition of New Parent Interests. Examples of Holders subject to special treatment under the IRC are governmental entities and entities exercising governmental authority, foreign companies, persons who are not citizens or residents of the United States, banks and certain other financial institutions, broker-dealers, insurance companies, tax-exempt organizations, real estate investment trusts, small business investment companies, regulated investment companies, Holders that are or hold their Claims through a partnership or other pass-through entity (including a subchapter S corporation), persons using a mark-to-market method of accounting, persons who are related to the Debtors within the meaning of the IRC, Holders of claims who are themselves in bankruptcy, dealers in securities or foreign currency, persons that have a functional currency other than the U.S. dollar, and persons

holding or that will hold Claims or New Parent Interests as part of a hedge, straddle, constructive sale, conversion transaction or other integrated transaction. This discussion does not address the state, local, estate, gift or foreign tax consequences of the Plan and does not address the U.S. federal income tax consequences to Holders of Claims that are unimpaired under the Plan or Holders of Claims that are not entitled to receive or retain any property under the Plan. Furthermore, this summary assumes that a Holder of a Claim holds only Claims in a single Class and holds a Claim as a "capital asset" (within the meaning of Section 1221 of the IRC). Except as stated otherwise, this summary also assumes that the various debt and other arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form.

The tax treatment of Holders of Claims and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the Distributions provided for by the Plan may vary, depending upon the following factors, among others: (i) whether the Claim or portion thereof constitutes a Claim for principal or interest; (ii) the type of consideration, if any, received by the Holder in exchange for the Claim, and whether the Holder receives Distributions under the Plan in more than one taxable year; (iii) whether the Holder is a United States person for tax purposes, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the Holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the Holder has taken a bad debt deduction or a worthless securities deduction with respect to the Claim or any portion thereof in the current or prior taxable years; (viii) whether the Holder has previously included in gross income accrued but unpaid interest with respect to the Claim; (ix) the method of tax accounting of the Holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; (xi) whether the Claim is considered a "security" for U.S. federal income tax purposes; and (xii) whether the "market discount" rules apply to the Holder. Therefore, each Holder should consult such Holder's own tax advisor for tax advice with respect to that Holder's particular situation and circumstances, and the particular tax consequences to such Holder of the transactions contemplated by the Plan.

A significant amount of time may elapse between the date of the Disclosure Statement and the receipt of a final Distribution under the Plan. Events occurring after the date of the Disclosure Statement, such as new or additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No ruling has been or will be sought from the IRS with respect to any of the tax consequences of the Plan, and no opinion of counsel has been or will be obtained by the Debtors with respect thereto. No representations are being made regarding the particular tax consequences of the confirmation or implementation of the Plan as to any Holder of a Claim. This discussion is not binding upon the IRS or other taxing authorities or the Bankruptcy Court. No assurance can be given that the IRS or another authority would not assert, or that a court would not sustain, a different position from any discussed herein.

THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT

TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT SUCH HOLDER'S TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF THE PLAN.

A. Certain U.S. Federal Income Tax Consequences of the Plan to Holders of Claims

1. Receipt of Cash in Satisfaction of Claim

A Holder who receives cash in exchange for its Allowed Claim will generally recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of cash received in exchange for its Allowed Claim, and (ii) the Holder's adjusted tax basis in its Allowed Claim that is treated as exchanged for cash. The character of such income, gain or loss as ordinary income or loss or as capital gain or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Allowed Claim in such Holder's hands, whether the Allowed Claim constitutes a capital asset in the hands of the Holder, whether the Allowed Claim was purchased at a discount, and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Allowed Claim. To the extent that any amount received by a Holder of an Allowed Claim is attributable to accrued interest not previously included in the Holder's income, such amount should be taxable to the Holder as interest income. Conversely, a Holder of an Allowed Claim may be able to recognize a deductible loss to the extent that any accrued interest on the Allowed Claim was previously included in the Holder's gross income but was not paid in full by the Debtors. Such loss should be ordinary. To the extent any amounts are paid to a Holder in such Holder's capacity as an employee and which for U.S. federal income tax purposes constitute wages, such amounts will generally be treated for tax purposes as ordinary income and will be subject to withholding by the Debtors.

2. Receipt of Equity and/or Debt in Exchange for Claim

Whether the Holder of a Term Loan Claim recognizes gain or loss as a result of the exchange of its Claim for the New Parent Interests, newly issued debt (including the New Term Loan), or a combination thereof depends, in part, on whether the exchange qualifies as a tax-free recapitalization, which in turn depends on whether the debt underlying the allowed Claim surrendered, and the consideration received in the exchange, are each treated as a "security" for purposes of the reorganization provisions of the IRC (as described below). If such Claim and some portion of such consideration are each treated as a "security," the exchange should be treated as a recapitalization and therefore as a reorganization under the IRC. If either such Claim is not a "security" for this purpose, or if none of such consideration received is a "security" for this purpose, a Holder should be treated as exchanging its Claim in a fully taxable exchange.

Whether a Claim constitutes a "security" for U.S. federal income tax purposes is determined based on all the relevant facts and circumstances and therefore depends upon the nature of the indebtedness or obligation. Most authorities have held that important factors to be considered

include, among other things, the length of time to maturity and the purpose of the borrowing. These authorities have indicated that, generally, corporate debt instruments that mature less than five (5) years from issuance are not considered "securities" and corporate debt instruments that mature ten years or more from the time of issuance are considered "securities." Whether a debt instrument with a term of five or more, but less than ten, years is a security is unclear. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent, and whether such payments are made on a current basis or accrued. Allowed Claims for accrued interest generally are not considered "securities." However, Holders of Claims that are due to receive equity and/or debt in accordance with the provisions of the Plan should consult their own tax advisors regarding whether such Claims constitute "securities" for these purposes.

If a debt instrument constituting a surrendered allowed Term Loan Claim is treated as a "security" for tax purposes, then the tax treatment of a Holder of such a Claim will depend on the consideration received by such Holder pursuant to the Plan. In the case of a Holder of an allowed Term Loan Claim, the exchange of a Holder's allowed Term Loan Claim for the New Parent Interests would be treated as a recapitalization, and therefore a reorganization under the IRC. In such case, the Holder of such Term Loan Claim will not recognize loss in the exchange and will only recognize gain (i) if the New Term Loan is not a "security", to the extent of the fair market value of the New Term Loan received in exchange for such Holder's allowed Term Loan Claim and (ii) to the extent that a portion of the equity is allocable to accrued and unpaid interest that has not been included in income by the Holder. Any such gain should be capital in nature (subject to the "market discount" rules described below) and should be long term capital gain if the Term Loan Claims were held for more than one year by the Holder. To the extent that a portion of the New Parent Interests and/or New Term Loan received in the exchange is allocable to accrued interest, the Holder may recognize ordinary income. Except for any such portion, a Holder should obtain an aggregate tax basis in the New Parent Interests equal to the tax basis of the obligations constituting the allowed Term Loan Claims exchanged therefor, increased by any gain recognized in the exchange and decreased by the fair market value of the New Term Loan received by such Holder, and a holding period for the New Parent Interests that includes the Holder's holding period for the obligations constituting the allowed Term Loan Claims; provided that the tax basis of the New Parent Interests treated as received in satisfaction of accrued but untaxed interest would equal the amount of such accrued but untaxed interest, and the holding period for any such New Parent Interests would not include the holding period of the debt instrument constituting the surrendered allowed Term Loan Claims. A Holder's tax basis in any New Term Loan received in exchange for such Holder's allowed Term Loan Claims should be equal to the fair market value of such consideration as of the exchange date. A Holder's holding period for the New Term Loan received on the Effective Date should begin on the day following the Effective Date.

If a debt instrument constituting a surrendered allowed Term Loan Claim is not treated as a "security" for U.S. federal income tax purposes, a Holder of such a Claim should be treated as exchanging its Claim in a fully taxable exchange. In that case, the Holder should recognize gain or loss equal to the difference between (i) the fair market value of the New Parent Interests and New Term Loan received in the exchange that is not allocable to accrued but untaxed interest, and (ii) the

Holder's adjusted tax basis in the obligations constituting the surrendered Claims exchanged therefor (other than basis attributable to accrued but untaxed interest). Generally, a Holder's adjusted tax basis in the obligations constituting the surrendered allowed Claims will be equal to the cost of the obligations to such Holder, increased by any accrued but unpaid interest previously included in income. If applicable, a Holder's tax basis in the obligations constituting the surrendered allowed Claims also will be (i) increased by any market discount previously included in income by such Holder pursuant to an election to include market discount in gross income currently as it accrues, and (ii) reduced by any cash payments received on the obligation other than payments of qualified stated interest, and by any amortizable bond premium that the Holder has previously deducted. Generally, the Holder will recognize a capital gain or loss (subject to the "market discount" rules described below), which will constitute long-term capital gain or loss if the obligation constituting the Claim was held for more than one (1) year by the Holder. To the extent that a portion of the New Parent Interests and New Term Loan received in the exchange is allocable to accrued interest, the Holder may recognize ordinary income to the extent not previously included in income. See the discussions of accrued interest and market discount below. A Holder's tax basis in the New Parent Interests and New Term Loan received in exchange for such Holder's allowed Term Loan Claims should be equal to the fair market value of such consideration as of the exchange date. A Holder's holding period for the New Parent Interests and New Term Loan received on the Effective Date should begin on the day following the Effective Date.

The tax consequences of the Plan and to the Holders of allowed Term Loan Claims are uncertain. Such Holders should consult their tax advisors regarding whether such Claims and the consideration received therefor would be treated as "securities" for U.S. federal income tax purposes.

3. Receipt of Other Consideration

If a Holder of a Claim receives consideration other than cash, New Parent Interests or New Term Loans in satisfaction of its Claim, the federal income tax consequences of the exchange will depend on many factors, including the type and mix of such consideration and the tax characterization of the Claim in the hands of the Holder. Because the specifics of any such transaction are unknowable at this time, this summary does not address the tax consequences of such transactions. Accordingly, any such Holder should explore such tax consequences with its tax advisor.

4. Accrued but Unpaid Interest

In general, to the extent a holder of a debt instrument receives cash or property in satisfaction of interest accrued but unpaid during the holding period of such instrument, the amount of such cash or the value of such property will be taxable to the holder as ordinary interest income (if not previously included in the holder's gross income). Conversely, such holder may recognize a deductible loss to the extent that any accrued interest was previously included in its gross income and is not paid. The extent to which cash or property received by a holder of a debt instrument will be attributable to accrued but unpaid interest is unclear. Pursuant to the Plan, all distributions in respect of any Allowed Claim will be allocated first to the principal amount of such Allowed Claim (as determined for U.S. federal income tax purposes), and thereafter, to the extent permitted under the Bankruptcy Code, to accrued but unpaid interest, if any. However, the provisions of the Plan are

not binding on the IRS nor a Bankruptcy Court with respect to the appropriate tax treatment for creditors. Certain legislative history indicates that an allocation of consideration between principal and interest provided in a chapter 11 plan of reorganization generally is binding for U.S. federal income tax purposes. However, regulations issued by the IRS require, in general, that payments made on a debt instrument first be allocated to accrued but untaxed interest. Application of this rule to a final payment on a debt instrument being discharged at a discount in bankruptcy is unclear..

Each Holder of an Allowed Claim is urged to consult its tax advisor regarding the inclusion in income of amounts received in satisfaction of accrued but unpaid interest, the allocation of consideration between principal and interest, and the deductibility of previously included unpaid interest for tax purposes.

5. Market Discount

Under the "market discount" provisions of Sections 1276 through 1278 of the IRC, some or all of any gain realized by a Holder exchanging the debt instruments constituting its Allowed Claim may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt constituting the surrendered Allowed Claim.

In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its Holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or, (b) in the case of a debt instrument issued with "original issue discount," its adjusted issue price, by at least a *de minimis* amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a Holder on the taxable disposition (determined as described above) of debts that it acquired with market discount will generally be treated as ordinary income to the extent of any market discount that accrued thereon while such debts were considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued). If a Holder did not elect to include market discount in income as it accrued and, thus, under the market discount rules, was required to defer all or a portion of any deductions for interest on debt incurred or maintained to purchase or carry the obligations constituting its Allowed Claim, such deferred amounts would become deductible at the time of such taxable disposition. To the extent that the surrendered debts that had been acquired with market discount are exchanged in a tax-free or other reorganization transaction for other property, any additional accrued but unrecognized market discount may be required to be carried over to the property received therefor. Any gain recognized by such Holder on a subsequent sale, exchange, redemption or other disposition of such property received under the Plan may be treated as ordinary income to the extent of such accrued but unrecognized market discount with respect to the exchanged debt instrument.

6. Backup Withholding Tax and Information Reporting Requirements

The Debtors will withhold all amounts required by law to be withheld from payments of interest. The Debtors will comply with all applicable information reporting requirements of the IRC. Payments and other distributions in respect of Allowed Claims under the Plan may be subject to

applicable information reporting and backup withholding. Backup withholding of taxes will generally apply to Payments in respect of an Allowed Claim under the Plan if the Holder of such Allowed Claim fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules. The backup withholding tax rate is currently 28%.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder's U.S. federal income tax liability, and a Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing an appropriate claim for refund with the IRS.

In addition, from an information reporting perspective, U.S. Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. Holders are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns.

B. Certain U.S. Federal Income Tax Consequences of the Plan to the Debtors

1. Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of cash paid, (y) the issue price of any new debt instrument issued by the debtor and (z) the fair market value of any other consideration (including New Parent Interests) given in satisfaction of such indebtedness at the time of the exchange. The issue price of any such new debt instrument is determined under either Section 1273 or 1274 of the IRC. Generally, these provisions treat the fair market value of a publicly-traded debt instrument as its issue price and the stated principal amount of any other debt instrument as its issue price if its terms provide for interest not less than the applicable federal rate.

A debtor will not, however, be required to include any amount of COD Income in gross income if the debtor is under the jurisdiction of a Bankruptcy Court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must generally reduce its tax attributes by the amount of COD Income that it excluded from gross income. In general, tax attributes will be reduced in the following order: (a) net operating losses ("NOLs"); (b) most tax credits; (c) capital loss carryovers; (d) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); and (e) foreign tax credits. A debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to Section 108(b)(5) of the IRC. In the context of a consolidated group of corporations, the tax rules provide for a complex ordering mechanism in determining how the tax attributes of one member can be reduced by the COD Income of another member.

Because the Plan provides that Holders of certain Claims will receive New Parent Interests, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend in part on the fair market value of the New Parent Interests. This value cannot be known with certainty until after the Effective Date. In addition, it has not been determined whether the Debtors will make the election under Section 108(b)(5) of the IRC.

2. Accrued Interest

To the extent that there exists accrued but unpaid interest on indebtedness owing to holders of Allowed Claims and to the extent that such accrued but unpaid interest has not been deducted previously by the Debtors, portions of payments made in consideration for the indebtedness underlying such Allowed Claims that are allocable to such accrued but unpaid interest should be deductible by the Debtors. Any such interest that is not paid will not be deductible by the Debtors and will not give rise to COD Income.

To the extent that any of the Debtors have previously taken a deduction for accrued but unpaid interest, any amounts so deducted that are paid will not give rise to any tax consequences to such Debtors. If such amounts are not paid, they will give rise to COD Income that would be excluded from gross income pursuant to the bankruptcy exclusion discussed above. As a result, the Debtors would be required to reduce their tax attributes to the extent of such interest previously deducted and not paid.

3. Utilization of Net Operating Loss Carryforwards

(a) Limitation on NOLs and Other Tax Attributes

The amount of tax attributes that will be available to the Reorganized Debtors at emergence is based on a number of factors and is impossible to calculate at this time. Some of the factors that will impact the amount of available tax attributes include: (a) the amount of tax losses incurred by the Debtors in 2015 and 2016; (b) the fair market value of the New Parent Interests; and (c) the amount of COD Income realized by the Debtors in connection with consummation of the Plan. Following consummation of the Plan, the Debtors anticipate that any remaining NOLs may be subject to limitation under Section 382 of the IRC by reason of the transactions pursuant to the Plan.

Under Section 382 of the IRC, whenever a corporation (or a consolidated group) undergoes an "ownership change," the ability of the corporation to utilize its NOL carryovers and certain subsequently recognized built-in losses and deductions (collectively, "Pre-Change Losses") to offset future taxable income may be subject to an annual limitation. As discussed in greater detail herein, the Debtors anticipate that the issuance of the New Parent Interests pursuant to the Plan will result in an "ownership change" of the Reorganized Debtors for these purposes, and that the Debtors' use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of Section 382 of the IRC applies. This limitation is independent of, and in addition to, the reduction of tax attributes described in the preceding section resulting from the exclusion of COD Income.

(b) General Section 382 Annual Limitation

This discussion refers to the limitation determined under Section 382 of the IRC in the case of an "ownership change" as the "Section 382 Limitation." In general, the annual Section 382

Limitation on the use of Pre-Change Losses in any "post-change year" is equal to the product of (i) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (ii) the "long term tax exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs) in effect for the month in which the "ownership change" occurs. The Section 382 Limitation may be increased to the extent that the Debtors recognize certain built-in gains in their assets during the five-year period following the "ownership change," or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. Section 383 of the IRC applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year. However, if a corporation that has undergone an "ownership change" does not continue its historic business or uses a significant portion of its assets in a new business for two (2) years after the "ownership change", the annual limitation resulting from the "ownership change" is reduced to zero (0), thereby precluding any utilization of the corporation's Pre-Change Losses, absent any increases due to recognized built-in gains discussed above. Furthermore, if the corporation (or the consolidated group) undergoes a second "ownership change," the second "ownership change" may result in a lesser Section 382 Limitation with respect to any losses that existed at the time of the first "ownership change." Generally, NOL carryforwards expire after twenty (20) years. As discussed below, however, special rules may apply in the case of a corporation which experiences an "ownership change" as the result of a bankruptcy proceeding.

(c) Built-In Gains and Losses

Under certain circumstances, Section 382 of the IRC also limits the deductibility of certain built-in losses that are recognized during the five-year period following the date of an "ownership change." In particular, subject to a de minimis exception, if a loss corporation (or loss consolidated group or subgroup) has a net unrealized built-in loss at the time of an "ownership change" (taking into account its assets and items of "built-in" income and deduction), then any built-in losses recognized during the following five (5) years (up to the amount of the original net unrealized built-in loss) generally will be treated as a pre-change loss and will be subject to the Section 382 Limitation.

Conversely, if the loss corporation (or loss consolidated group or subgroup) has a net unrealized built-in gain during the five year period following the "ownership change," any built-in gains recognized during such period (up to the amount of the original net unrealized built-in gain) generally will increase the Section 382 Limitation in the year recognized, such that the loss corporation (or loss consolidated group or subgroup) would be permitted to use its pre-change NOLs against such built-in gain income in addition to its regular Section 382 Limitation.

Although the rules applicable to net unrealized built-in losses generally apply to consolidated groups on a consolidated basis, certain corporations that join the consolidated group within five (5) years prior to the "ownership change" may not be taken into account in the group computation of net unrealized built-in loss. Nevertheless, such corporations would be taken into account in determining whether the consolidated group has a net unrealized built-in gain.

The issuance under the Plan of the New Parent Interests, along with the cancellation of existing Parent Interests, is expected to cause an "ownership change" with respect to the Debtors.

As a result, unless the exception discussed below applies, the Debtors' Pre-Change Losses will be subject to the Section 382 Limitation (as described above). The Section 382 Limitation may be increased to the extent that the Reorganized Debtors recognize certain built-in gains in their assets during the five-year period following the "ownership change." If, in any year, the amount of Pre-Change Losses used by the Reorganized Debtors to offset income is less than the Section 382 Limitation, any unused limitation may be carried forward, thereby increasing the Section 382 Limitation (the amount of Pre-Change Losses which may offset income) in the subsequent taxable year of the Reorganized Debtors.

(d) Special Bankruptcy Exceptions

An exception to the foregoing annual limitation rules generally applies when shareholders and/or "qualified creditors" of a debtor company in chapter 11 receive, in respect of their equity interests in the debtor or "qualified indebtedness" (as defined in Treasury Regulations Section 1.382-9(d)(2)), at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis but, instead, the debtor's NOLs are required to be reduced by the amount of any interest deductions claimed during any taxable year ending during the three-year period preceding the taxable year that includes the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the debtor undergoes another "ownership change" within two (2) years after consummation, then the debtor's Pre-Change Losses effectively are eliminated in their entirety. Because the New Parent Interests to be issued pursuant to the Plan will be issued in exchange for qualified indebtedness, the Debtors anticipate that the 382(l)(5) Exception will apply if the Plan is consummated.

When the 382(l)(5) Exception is not applicable (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply to a debtor in chapter 11 (the "382(l)(6) Exception"). When the 382(l)(6) Exception applies, a debtor corporation that undergoes an "ownership change" generally is permitted to determine the fair market value of its stock after taking into account the increase in value resulting from any surrender or cancellation of creditors' claims in the bankruptcy. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception differs from the 382(l)(5) Exception in that the debtor corporation is not required to reduce its NOLs by interest deductions in the manner described above, and the debtor may undergo a change of ownership within two (2) years without triggering the elimination of its Pre-Change Losses.

It is possible that the Debtors will not qualify for the 382(l)(5) Exception. Alternatively, the Reorganized Debtors may decide to elect out of the 382(l)(5) Exception. Regardless of whether the Reorganized Debtors take advantage of the 382(l)(6) Exception or the 382(l)(5) Exception, the Reorganized Debtors' use of their Pre Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of Section 382 of the IRC were to occur after the Effective Date. In order to prevent such a subsequent "ownership change," the New Certificate of Incorporation of Reorganized Debtors may contain restrictions on trading of New Parent Interests

that are intended to prevent such a change. The specific terms of any such restrictions have not yet been determined.

4. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, as a general rule, only 90% of a corporation's AMTI may be offset by available alternative tax NOL carryforwards.

Additionally, under Section 56(g)(4)(G) of the IRC, an "ownership change" (as discussed above) that occurs with respect to a corporation having a net unrealized built in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the "ownership change" to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under Section 382(h) of the IRC, immediately before the "ownership change."

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY FEDERAL, STATE, LOCAL OR NON-U.S. TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

X. RECOMMENDATION

In the opinion of each of the Debtors, the Plan is superior and preferable to the alternatives described in this Disclosure Statement. Furthermore, the value being provided to Creditors under the Plan will be subject to a competitive process through which parties other than the Term Loan Lenders will have had the opportunity to provide higher and better bids. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Dated: April 7, 2016

Respectfully submitted,

PACIFIC SUNWEAR OF CALIFORNIA, INC.
(on behalf of itself and each of the Debtors)

By: */s/ Craig E. Gosselin*
Name: Craig E. Gosselin
Title: Secretary, Senior Vice President, General Counsel, and Human Resources

Prepared by:

/s/ Maris J. Kandestin

Michael R. Nestor, Esq. (Bar No. 3526)
Joseph M. Barry, Esq. (Bar No. 4221)
Maris J. Kandestin, Esq. (Bar No. 5294)
Shane M. Reil, Esq. (Bar No. 6195)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Tel: (302) 571-6600
Fax: (302) 571-1253
Email: mnestor@ycst.com
jbarry@ycst.com
mkandestin@ycst.com
sreil@ycst.com

and

Michael L. Tuchin, Esq.
David M. Guess, Esq.
Jonathan M. Weiss, Esq.
Sasha M. Gurvitz, Esq.
KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 Avenue of the Stars, 39th Floor
Los Angeles, CA 90067
Tel: (310) 407-4029
Fax: (310) 407-9090
Email: mtuchin@ktbslaw.com
dguess@ktbslaw.com
jweiss@ktbslaw.com
sgurvitz@ktbslaw.com

[Proposed] Counsel for the Debtors and Debtors in Possession

EXHIBIT A

Joint Plan of Reorganization

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
PACIFIC SUNWEAR OF CALIFORNIA, INC., *et al.*,[1]	)	Case No. 16-10882 ( )
Debtors.	)	Joint Administration Requested

JOINT PLAN OF REORGANIZATION OF PACIFIC SUNWEAR OF CALIFORNIA, INC. AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

Michael L. Tuchin, Esq.
David M. Guess, Esq.
Jonathan M. Weiss, Esq.
Sasha M. Gurvitz, Esq.
KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 Avenue of the Stars, 39th Floor
Los Angeles, California 90067
Telephone: (310) 407-4029
Facsimile: (310) 407-9090
E-mail: mtuchin@ktbslaw.com
dguess@ktbslaw.com
jweiss@ktbslaw.com
sgurvitz@ktbslaw.com

Michael R. Nestor, Esq. (Bar No. 3526)
Joseph M. Barry (Bar No. 4221)
Maris J. Kandestin (Bar No. 5294)
Shane M. Reil (Bar No. 6195)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
Rodney Square, 1000 North King Street
Wilmington, Delaware 19801
Telephone: (302) 571-6600
Facsimile: (302) 571-1253
E-mail: mnestor@ycst.com
jbarry@ycst.com
mkandestin@ycst.com
sreil@ycst.com

Proposed Counsel to the Debtors and Debtors in Possession

Dated: April 7, 2016

[1] The Debtors and the last four digits of their respective federal taxpayer identification numbers are as follows: Pacific Sunwear of California, Inc. (9463-CA); Miraloma Borrower Corporation (0381-Del.); and Pacific Sunwear Stores Corp. (5792-CA). The Debtors' address is 3450 East Miraloma Avenue, Anaheim, CA 92806.

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INTRODUCTION

Pacific Sunwear of California, Inc. and its debtor affiliates, as debtors and debtors in possession propose this joint plan of reorganization pursuant to chapter 11 of the Bankruptcy Code.[2] This Plan constitutes a separate chapter 11 plan for each Debtor and, unless otherwise set forth herein, the classifications and treatment of Claims and Interests apply to each individual Debtor.

Holders of Claims and Interests should refer to the Disclosure Statement for a discussion of the Debtors' history, businesses, assets, results of operations, and historical financial information, as well as a summary and description of this Plan.

ARTICLE I.
DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW

A. Defined Terms

As used in this Plan, capitalized terms have the meanings ascribed to them below.

1. "***ABL Agent***" means Wells Fargo Bank, National Association, in its respective capacities as administrative agent and collateral agent under the ABL Credit Agreement.

2. "***ABL Claims***" means Claims in favor of the ABL Lender arising under the ABL Credit Agreement.

3. "***ABL Credit Agreement***" means that certain Credit Agreement dated as of December 7, 2011, by and among Pacific Sunwear of California, Inc., as lead borrower, the other borrowers thereto, the guarantors party thereto, the lenders party thereto and the ABL Agent.

4. "***ABL Facility***" means that certain secured revolving credit facility under the ABL Credit Agreement.

5. "***ABL Lender***" means Wells Fargo Bank, National Association, in its capacity as lender under the ABL Credit Agreement.

6. "***Accrued Professional Compensation Claim***" means any Claim on account of accrued, contingent, and/or unpaid fees and expenses for legal, financial advisory, accounting, and other services and reimbursement of expenses through the Effective Date that are awardable and allowable under sections 328, 330, 331, or 1103 of the Bankruptcy Code by any retained Professional in the Chapter 11 Cases, or that are awardable and allowable under section 503 of the Bankruptcy Code, that the Bankruptcy Court has not denied by Final Order, (a) to the extent that any such fees and expenses have not been previously paid and (b) after applying any unapplied retainer that has been provided to such Professional. To the extent that the Bankruptcy Court or any higher court of competent jurisdiction denies or reduces by a Final Order any amount of a Professional's fees or expenses, then those reduced or denied amounts shall no longer give rise to any Accrued Professional Compensation Claim.

7. "***Administrative Claim***" means any Claim for costs and expenses of administration pursuant to sections 503(b), 507(a)(2), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries or commissions for services and payments for goods and other services and leased premises); (b) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of the Judicial Code; and (c) all requests for compensation or expense reimbursement for

[2] Capitalized terms used in the Plan and not otherwise defined shall have the meanings ascribed to such terms in Article I.A.

making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code.

8. "***Affiliate***" has the meaning set forth in section 101(2) of the Bankruptcy Code.

9. "***Allowed***" means with respect to any Claim, except as otherwise provided herein: (a) a Claim that is scheduled by the Debtors as not disputed, contingent, or unliquidated and for which no Proof of Claim, objection or request for estimation has been timely Filed on or before any applicable objection deadline (including the Claims Objection Deadline), if any, set by the Bankruptcy Court or the expiration of such other applicable period fixed by the Bankruptcy Court; (b) a Claim that is not a Disputed Claim on or before the Claims Objection Deadline (as the same may be extended from time to time) or has been allowed by a Final Order; (c) a Claim that is allowed (i) pursuant to the terms of the Plan, (ii) in any stipulation that is approved by the Bankruptcy Court or (iii) pursuant to any contract, instrument, indenture or other agreement entered into or assumed in connection herewith; or (d) any Claim that is compromised, settled, or otherwise resolved pursuant to the authority granted to the Debtors or the Reorganized Debtors, as the case may be, pursuant to a Final Order of the Bankruptcy Court; *provided, however*, that Claims allowed solely for the purpose of voting to accept or reject the Plan pursuant to an order of the Bankruptcy Court shall not be considered "Allowed Claims" hereunder. Except for any Claim that is expressly Allowed herein, any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated or disputed and for which no Proof of Claim has been Filed is not considered Allowed and shall be deemed expunged upon entry of the Confirmation Order.

10. "***Assumed Executory Contract and Unexpired Lease List***" means the list (as may be amended), if any, as determined by the Debtors and the Winning Bidder, of Executory Contracts and Unexpired Leases (including any amendments or modifications thereto) that will be assumed by the Reorganized Debtors pursuant to the provisions of Article V of the Plan and which shall be included in the Plan Supplement, and which list, for the avoidance of doubt, must include the Employee Plans.

11. "***Auction***" means the auction, if any, for all or substantially all of the Debtors' assets, conducted in accordance with the Bidding Procedures.

12. "***Avoidance Actions***" means any and all Causes of Action to avoid a transfer of property or an obligation incurred by the Debtor pursuant to any applicable section of the Bankruptcy Code, including sections 544, 545, 547, 548, 549, 550, 551, 553(b), and 724(a) of the Bankruptcy Code.

13. "***Ballot***" means the form approved by the Bankruptcy Court and distributed to Holders of Impaired Claims entitled to vote on the Plan on which is to be indicated the acceptance or rejection of the Plan.

14. "***Bankruptcy Code***" means chapter 11 of title 11 of the United States Code.

15. "***Bankruptcy Court***" means the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 11 Cases or any other court having jurisdiction over the Chapter 11 Cases, including, to the extent of the withdrawal of the reference under 28 U.S.C. § 157, the United States District Court for the District of Delaware.

16. "***Bankruptcy Rules***" means the Federal Rules of Bankruptcy Procedure promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

17. "***Bidding Procedures***" means the procedures governing the auction and sale of all or substantially all of the Debtors' assets, as approved by the Bankruptcy Court and as may be amended from time to time in accordance with their terms.

18. "***Business Day***" means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)(6)).

19. "***Cash***" means the legal tender of the United States of America.

20. "***Causes of Action***" means any action, claim, interest, cause of action, controversy, demand, right, action, lien, indemnity, guaranty, suit, obligation, liability, damage, remedy, judgment, account, defense, offset, power, privilege, license and franchise of any kind or character whatsoever, whether known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable, directly or derivatively, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law. Causes of Action also include: (a) any right of setoff, counterclaim or recoupment and any claim for breaches of duties imposed by law or in equity; (b) the right to object to or otherwise contest Claims or Interests; (c) any claim pursuant to sections 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury and any other defenses set forth in section 558 of the Bankruptcy Code; and (e) any state law fraudulent transfer claim.

21. "***Chapter 11 Cases***" means (a) when used with reference to a particular Debtor, the case pending for that Debtor under chapter 11 of the Bankruptcy Code and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court under case number 16-10882 ( ).

22. "***Claim***" means any claim, as such term is defined in section 101(5) of the Bankruptcy Code, against a Debtor.

23. "***Claims Bar Date***" means the date or dates to be established by the Bankruptcy Court by which Proofs of Claim must be Filed.

24. "***Claims Objection Deadline***" means the latest of (a) ninety (90) days after the Effective Date, (b) thirty (30) days after entry of a Final Order under section 502(j) of the Bankruptcy Code reinstating any Claim previously disallowed, (c) ninety (90) days after the filing of a Claim or any amendment to any Claim, or (d) such other later date as is established by order of the Bankruptcy Court.

25. "***Claims Register***" means the official register of Claims maintained by the Notice, Claims, and Balloting Agent.

26. "***Class***" means a class of Claims or Interests as set forth in Article III pursuant to section 1122(a) of the Bankruptcy Code.

27. "***Confirmation***" means the entry of the Confirmation Order on the docket of the Chapter 11 Cases, subject to all conditions specified in Article IX.A having been satisfied or waived pursuant to Article IX.C.

28. "***Confirmation Date***" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

29. "***Confirmation Hearing***" means the confirmation hearing held by the Bankruptcy Court pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

30. "***Confirmation Order***" means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

31. "***Consummation***" means the occurrence of the Effective Date.

32. "***Credit Bid***" means any bid for all or substantially all of the Debtors' assets submitted in accordance with the Bidding Procedures, to the extent the consideration under such bid consists of the offset of Secured Claims against the proposed purchase price in accordance with section 363(k) of the Bankruptcy Code.

33. "***Creditors' Committee***" means the statutory committee of unsecured creditors, if any, appointed by the U.S. Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as may be reconstituted from time to time.

34. "***Cure Claim***" means a Claim, if any, in connection with the assumption or assumption and assignment of an executory contract or unexpired lease, pursuant to section 365(b) of the Bankruptcy Code, in an amount equal to all unpaid monetary obligations, without interest, or such other amount as may be agreed by the parties, under such executory contract or unexpired lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable law.

35. "***Cure Notice***" means a notice, if any, of a proposed amount to be paid on account of a Cure Claim in connection with an Executory Contract or Unexpired Lease to be assumed under the Plan pursuant to section 365 of the Bankruptcy Code, which notice shall include (a) procedures for objecting to proposed assumptions of Executory Contracts and Unexpired Leases, (b) Cure Claims to be paid in connection therewith and (c) procedures for resolution by the Bankruptcy Court of any related disputes.

36. "***Debtor***" means one or more of the Debtors, as debtors and debtors in possession, each in its respective individual capacity as a debtor and debtor in possession in the Chapter 11 Cases.

37. "***Debtors***" means, collectively: (a) Parent; (b) PS Stores; and (c) Miraloma.

38. "***DIP Agent***" means Wells Fargo Bank, National Association, in its respective capacities as administrative agent and collateral agent under the DIP Facility Credit Agreement, together with its respective successors and assigns in such capacities.

39. "***DIP Facility***" means that senior secured superpriority debtor-in-possession credit facility, comprised of a revolving credit facility in an aggregate principal amount that, when aggregated with the revolving exposure outstanding under the ABL Credit Agreement, shall not exceed $100,000,000.

40. "***DIP Facility Claim***" means any Claim derived from, based upon, relating to, or arising from the DIP Facility Credit Agreement.

41. "***DIP Facility Credit Agreement***" means the agreement governing the DIP Facility, dated as of April 7, 2016, among the Debtors, the DIP Agent and the DIP Lenders (as amended, restated, supplemented, or otherwise modified from time to time), as well as any other documents entered into in connection therewith, which such documents shall be in form and substance acceptable to the DIP Agent, the DIP Lenders, and the Term Loan Lenders in their respective sole discretion.

42. "***DIP Lenders***" means the banks, financial institutions, and other lenders party to the DIP Facility Credit Agreement from time to time.

43. "***DIP Order***" means any interim order (or orders) and the final order of the Bankruptcy Court, each in form and substance acceptable to the DIP Agent, the DIP Facility Lenders, and the Term Loan Lenders in their respective sole discretion, authorizing, *inter alia*, the Debtors to enter into the DIP Facility Credit Agreement and incur postpetition obligations thereunder.

44. "***Disbursing Agent***" means the Debtors and/or the Reorganized Debtors (as applicable), or the Entity or Entities selected by the Debtors and/or the Reorganized Debtors and identified in the Plan Supplement, to make or facilitate distributions contemplated under the Plan.

45. "***Disclosure Statement***" means the *Disclosure Statement for the Joint Plan of Reorganization of Pacific Sunwear of California, Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, dated April 7, 2016, as amended, supplemented or modified from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, and that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules, and any other applicable law, and which shall be in form and substance acceptable to the Term Loan Lenders in their sole discretion.

46. "***Disputed***" means, with respect to any Claim or Interest, any Claim or Interest that is (a) disputed under the Plan, or subject, or potentially subject, to a timely objection and/or request for estimation in accordance

with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order, (b) improperly asserted, by the untimely or otherwise improper filing of a Proof of Claim as required by order of the Bankruptcy Court or (c) that is disallowed pursuant to section 502(d) of the Bankruptcy Code. A Claim that is Disputed as to its amount shall not be Allowed in any amount for purposes of distribution until it is no longer a Disputed Claim.

47. "***Distribution***" means any distribution provided for in the Plan by the Debtors or the Reorganized Debtors, as applicable, to Holders of Allowed Claims in full or partial satisfaction of such Allowed Claims.

48. "***Distribution Record Date***" means the date that is the Confirmation Date.

49. "***Effective Date***" means the date selected by the Debtors and the Winning Bidder that is a Business Day after the Confirmation Date on which (a) the conditions to the occurrence of the Effective Date have been met or waived pursuant to Article IX.B and Article IX.C and (b) no stay of the Confirmation Order is in effect.

50. "***Employee Plans***" means (i) the Debtors' Key Employee Incentive Plan (ii) the Debtors' Key Employee Retention Plan, (iii) the Fiscal 2016 Bonus Plan, and (iv) any severance policy maintained by the Debtors.

51. "***Entity***" means an entity as such term is defined in section 101(15) of the Bankruptcy Code.

52. "***Estate***" means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

53. "***Exculpated Claim***" means any Claim related to any act or omission derived from, based upon, related to or arising from the Debtors' in or out-of-court reorganization efforts, the Chapter 11 Cases, formulation, preparation, dissemination, negotiation, filing, confirmation, approval, implementation, or administration of the Restructuring Support Agreement (and related prepetition transactions), the Disclosure Statement, the Plan (including any term sheets related thereto), the property to be distributed under the Plan or any contract, instrument, release or other agreement (including providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Exculpated Party on the Plan or the Confirmation Order in lieu of such legal opinion) or document created or entered into in connection with the Restructuring Support Agreement, the Disclosure Statement, the Plan the DIP Facility, the filing of the Chapter 11 Cases, the pursuit of Confirmation and Consummation and the administration and implementation of the Plan, including the issuance of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement.

54. "***Exculpated Party***" means each of: (a) the Debtors; (b) the Reorganized Debtors; (c) the ABL Lender; (d) the ABL Agent; (e) the Term Loan Lenders; (f) the Term Loan Agent; (g) the DIP Lenders; (h) the DIP Agent; (i) the New ABL Lenders; (j) the New ABL Agent; (k) Holders of Series B Preferred Stock and/or any other Parent Interests into which any such shares of Series B Preferred Stock have been converted; and (h) with respect to the entities in clauses (a) through (k), such entities' respective current and former affiliates, and such entities' and their current and former affiliates' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and each of their current and former officers, managers, directors, equity holders, principals, members, employees, agents, managed accounts or funds, management companies, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

55. "***Executory Contract***" means a contract to which one or more of the Debtors is a party and that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

56. "***Federal Judgment Rate***" means the federal judgment rate in effect as of the Petition Date.

57. "***File***" or "***Filed***" means file or filed with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

58. "***Final Order***" means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment could be appealed or from which certiorari could be sought or the new trial, reargument or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

59. "***First Administrative Claims Bar Date***" means the date by which all requests for payment of Administrative Claims accruing through and including July 31, 2016 must be Filed and served on the Reorganized Debtors, which date shall be August 15, 2016.

60. "***Fiscal 2016 Bonus Plan***" means the Debtors' bonus plan for fiscal year 2016 as adopted by Parent's board of directors on or about March 17, 2016.

61. "***General Unsecured Claim***" means any Unsecured Claim, including any claim arising from the rejection of a non-residential lease or executory contract, which is not a Mortgage Notes Claim, Intercompany Claim, or Qualified Unsecured Trade Claim; *provided*, for the avoidance of doubt, that General Unsecured Claims include the deficiency portion of the Term Loan Claims against Parent, PS Stores, and Miraloma.

62. "***General Unsecured Claims Recovery Pool***" means $400,000 in Cash.

63. "***Governmental Unit***" has the meaning set forth in section 101(27) of the Bankruptcy Code.

64. "***Holder***" means any Entity holding a Claim or Interest.

65. "***Impaired***" means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is impaired within the meaning of section 1124 of the Bankruptcy Code.

66. "***Intercompany Claim***" means any Claim held by a Debtor against another Debtor.

67. "***Intercompany Interest***" means an Interest in a Debtor held by another Debtor.

68. "***Interests***" means any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code, including all issued, unissued, authorized or outstanding shares of capital stock of the Debtors together with any warrants, options or contractual rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto.

69. "***Judicial Code***" means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.

70. "***License Agreements***" means (i) the License Agreement with Pacific Sunwear of California, dated August 14, 2014, by and between Pacific Sunwear of California, Inc. and YYGM S.A. and (ii) the Service, Supply and Purchase Agreement, dated July 1, 2012, by and between Pacific Sunwear of California, Inc. and 3072541 Canada Inc.

71. "***Lien***" means a lien as defined in section 101(37) of the Bankruptcy Code.

72. "***Miraloma***" means Miraloma Borrower Corporation.

73. "***Miraloma Mortgage Note***" means the Deed of Trust, Assignment of Rents and Security Agreement by Miraloma Borrower Corporation to the order of American National Insurance Company dated August 20, 2010, as amended.

74. "***Mortgage Notes***" means the Miraloma Mortgage Note and the PS Stores Mortgage Note.

75. "***Mortgage Notes Claim***" means Secured Claims in the aggregate amount of $27,353,758 derived from, based upon, relating to, or arising from the Mortgage Notes.

76. "***New ABL Agent***" means the administrative agent and collateral agent under the New ABL Facility.

77. "***New ABL Facility***" means the revolving credit facility to be provided pursuant to the New ABL Facility Credit Agreement.

78. "***New ABL Facility Credit Agreement***" means the loan agreement, to be dated as of the Effective Date that will govern the New ABL Facility, the form of which shall be included in the Plan Supplement.

79. "***New Board***" means the initial board of directors, members, or managers, as applicable, of Reorganized Parent, to be selected by the Winning Bidder in their sole discretion.

80. "***New Money Investment***" means the $20 million investment to be made by the Term Loan Lenders or their Affiliates if the Term Loan Lenders are the Winning Bidder, which shall take the form of either debt or equity, or a combination of debt and equity, on terms mutually agreed upon by the Debtors and either the Term Loan Lenders or their Affiliates (as applicable), to be determined at the time of the Filing of the Plan Supplement.

81. "***New Organizational Documents***" means such certificates or articles of incorporation, bylaws, or such other applicable formation documents of each of the Reorganized Debtors, the forms of which will be included in the Plan Supplement and which shall be in form and substance acceptable to the Winning Bidder in its sole discretion.

82. "***New Parent Interests***" means the Interests to be issued by Reorganized Parent under the Plan.

83. "***New Term Loan***" means a secured term loan in the amount of $30 million pursuant to the New Term Loan Credit Agreement.

84. "***New Term Loan Credit Agreement***" means the loan agreement, to be dated as of the Effective Date that will govern the New Term Loan, the form of which shall be included in the Plan Supplement.

85. "***Notice, Claims and Balloting Agent***" means Prime Clerk LLC.

86. "***Other Secured Claim***" means any Secured Claim that is not a DIP Facility Claim, an ABL Claim, a Mortgage Notes Claim, or a Term Loan Claim.

87. "***Parent***" means Pacific Sunwear of California, Inc.

88. "***Parent Interests***" means the Interests in Parent outstanding as of the Petition Date.

89. "***Person***" means a person as such term as defined in section 101(41) of the Bankruptcy Code.

90. "***Petition Date***" means April 7, 2016, the date on which each of the Debtors commenced the Chapter 11 Cases.

91. "***Plan***" means this *Joint Plan of Reorganization of Pacific Sunwear of California, Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, including the Plan Supplement (as modified, amended or supplemented from time to time), which is incorporated herein by reference.

92. "***Plan Supplement***" means the compilation of documents and forms of documents, schedules, and exhibits to the Plan to be Filed no later than seven (7) days before the Confirmation Hearing, which documents shall be in form and substance acceptable to the Winning Bidder in their sole discretion, on notice to parties in interest,

and additional documents Filed before the Effective Date as supplements or amendments to the Plan Supplement. The Debtors shall have the right to amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date with the advance written consent of the Winning Bidder.

93. "***Priority Non-Tax Claims***" means any Claim, other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

94. "***Priority Tax Claim***" means any Claim of the kind specified in section 507(a)(8) of the Bankruptcy Code.

95. "***Professional***" means an Entity: (a) employed pursuant to a Bankruptcy Court order in accordance with sections 327, 363, or 1103 of the Bankruptcy Code and to be compensated for services rendered before or on the Effective Date, pursuant to sections 327, 328, 329, 330, 331, and 363 of the Bankruptcy Code or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code; *provided*, for the avoidance of doubt, that any Entity employed by the Debtors in the ordinary course, including pursuant to any order of the Bankruptcy Court authorizing such ordinary course employment, shall not be a Professional.

96. "***Proof of Claim***" means a written proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

97. "***Pro Rata***" means the proportion that (a) an Allowed Claim in a particular Class bears to the aggregate amount of all Allowed Claims in that Class or (b) Allowed Claims in a particular Class bear to the aggregate amount of Allowed Claims in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim under the Plan.

98. "***PS Stores***" means Pacific Sunwear Stores Corp.

99. "***PS Stores Mortgage Note***" means the Mortgage, Security Agreement, Financing Statement and Fixture Filing by Pacific Sunwear Stores Corp. to the order of American National Insurance Company, dated August 10, 2010, as amended.

100. "***Qualified Unsecured Trade Claim***" means all Unsecured Claims directly relating to and arising solely from the receipt of goods and services by the Debtors arising with, and held by, Entities with whom the Debtors are conducting, and with whom the Reorganized Debtors elect to continue to conduct, business as of the Effective Date, which Entities shall have executed a Qualified Vendor Support Agreement prior to or on the date that is forty-five (45) days after the Petition Date; *provided, however*, that Qualified Unsecured Trade Claims shall not include Administrative Claims, Other Priority Claims, or Claims of any non-Debtor counterparty to a rejected Executory Contract or Unexpired Lease (which Claims of any non-Debtor counterparty to a rejected Executory Contract or Unexpired Lease for rejection damages shall be deemed General Unsecured Claims).

101. "***Reinstate***," "***Reinstated***," or "***Reinstatement***" means with respect to Claims and Interests, that the Claim or Interest shall be rendered unimpaired in accordance with section 1124 of the Bankruptcy Code.

102. "***Rejected Executory Contract and Unexpired Lease List***" means the list (as may be amended), as determined by the Debtors and the Winning Bidder, of Executory Contracts and Unexpired Leases (including any amendments or modifications thereto) that will be rejected by the Debtors or the Reorganized Debtors (as applicable) pursuant to the provisions of Article V and which shall be included in the Plan Supplement.

103. "***Rejection Claim***" means a Claim arising from the rejection of an Executory Contract or Unexpired Lease pursuant to section 365 of the Bankruptcy Code.

104. "***Released Party***" means each of: (a) the Debtors; (b) the Reorganized Debtors; (c) the ABL Lender; (d) the ABL Agent; (e) the Term Loan Lenders; (f) the Term Loan Agent; (g) Holders of Series B Preferred Stock and/or any other Parent Interests into which any such shares of Series B Preferred Stock have been converted;

(h) the DIP Facility Lenders; (i) the DIP Agent; (j) the New ABL Agent; (k) the New ABL Lender; (l) the Winning Bidder; and (m) with respect to the entities in clauses (a) through (l), such entities' respective current and former affiliates, and such entities' and their current and former affiliates' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and each of their current and former officers, managers, directors, equity holders, principals, members, employees, agents, managed accounts or funds, management companies, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

105. "***Releasing Parties***" means, collectively, (a) the Debtors; (b) the Reorganized Debtors; (c) ABL Lender; (d) the ABL Agent; (e) the Term Loan Lenders; (f) the Term Loan Agent; (g) Holders of Series B Preferred Stock and/or any other Parent Interests into which any such shares of Series B Preferred Stock have been converted; (h) the DIP Facility Lenders; (i) the DIP Agent; (j) the New ABL Agent; (k) the New ABL Lender; (l) the Winning Bidder; (m) all Holders of Claims that vote to accept or are deemed to accept the Plan; (n) all Holders of Claims entitled to vote for or against the Plan who abstain from voting and who do not opt out of the releases provided for in the Plan; (o) all Holders of Claims and Interests to the maximum extent permitted by law; and (p) with respect to each of the entities named in (a)–(o) above, such entities' respective current and former affiliates, and such entities' and their current and former affiliates' current and former officers, managers, directors, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and each of their current and former officers, managers, directors, equity holders, principals, members, employees, agents, managed accounts or funds, management companies, fund advisors, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such.

106. "***Reorganized Debtors***" means the Debtors, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

107. "***Reorganized Parent***" means Parent, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

108. "***Restructuring Support Agreement***" means the agreement, effective as of April 6, 2016, by and among the Debtors, the Term Loan Agent, and the Term Loan Lenders, pursuant to which such parties agreed (subject to certain conditions specified therein) to support the Plan.

109. "***Restructuring Transactions***" means those mergers, amalgamations, consolidations, arrangements, continuances, restructurings, transfers, conversions, dispositions, liquidations, dissolutions, or other corporate transactions that the Debtors or the Reorganized Debtors determine to be necessary or appropriate to effect a restructuring of a Debtor's business or a restructuring of the overall corporate structure of the Reorganized Debtors, whether implemented before, on or after the Effective Date.

110. "***Schedules***" means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code, as such schedules may be amended, modified, or supplemented from time to time.

111. "***Second Administrative Claims Bar Date***" means the date by which all requests for payment of Administrative Claims accruing on or after August 1, 2016 through and including the Effective Date must be Filed and served on the Reorganized Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order, which date shall be 30 days after the Effective Date.

112. "***Section 510(b) Claim***" means any Claim against the Debtors arising from rescission of a purchase or sale of a Security of any of the Debtors or an Affiliate of any of the Debtors, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a Claim.

113. "***Secured***" means when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected, and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or (b) Allowed as such pursuant to the Plan.

114. "***Securities Act***" means the Securities Act of 1933, 15 U.S.C. §§ 77a-77aa, as amended, together with the rules and regulations promulgated thereunder.

115. "***Securities Exchange Act***" means the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a-78nn, as amended.

116. "***Security***" means a security as defined in section 2(a)(1) of the Securities Act.

117. "***Series B Preferred Stock***" means those certain Series B preferred equity shares in Parent.

118. "***Tax***" means (a) any net income, alternative or add-on minimum, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, property, environmental, or other tax, assessment, or charge of any kind whatsoever (together in each instance with any interest, penalty, addition to tax, or additional amount) imposed by any federal, state, or local taxing authority; or (b) any liability for payment of any amounts of the foregoing types as a result of being a member of an affiliated, consolidated, combined, or unitary group, or being a party to any agreement or arrangement whereby liability for payment of any such amounts is determined by reference to the liability of any other entity.

119. "***Term Loan Agent***" means PS Holdings Agency Corp., in its capacities as administrative agent and collateral agent under the Term Loan Credit Agreement.

120. "***Term Loan Claims***" means Claims in the aggregate amount of $88,064,943 derived from, based upon, relating to, or arising from the Term Loan Credit Agreement, assuming that all the loans under the Term Loan Credit Agreement were repaid on the Petition Date.

121. "***Term Loan Credit Agreement***" means that certain Credit Agreement dated as of December 7, 2011, by and among Pacific Sunwear of California, Inc., as lead borrower, the guarantors party thereto, the Term Loan Lenders, and the Term Loan Agent, as amended by that certain First Amendment to the Credit Agreement, dated as of April 2, 2012, by and among Pacific Sunwear of California, Inc., the Term Loan Agent, and the Term Loan Lenders.

122. "***Term Loan Lenders***" means, collectively, PS Holdings of Delaware, LLC - Series A and PS Holdings of Delaware, LLC - Series B, in their capacity as lenders under the Term Loan Credit Agreement, or any successor or assignee thereof.

123. "***Unexpired Lease***" means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

124. "***Unimpaired***" means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is not impaired within the meaning of section 1124 of the Bankruptcy Code.

125. "***Unsecured Claim***" means any Claim that is neither Secured nor entitled to priority under the Bankruptcy Code or an order of the Bankruptcy Court.

126. "***U.S. Trustee***" means the Office of the United States Trustee for the District of Delaware.

127. "***Voting Deadline***" means 4:00 p.m. (prevailing Eastern Time) on [_____], 2016.

128. "***Winning Bidder***" means the Entity whose bid for all or substantially all of the Debtors' assets, which for the avoidance of doubt may include the transaction contemplated under the Plan, is selected by the Debtors and approved by the Bankruptcy Court as the highest or otherwise best bid pursuant to the Bidding Procedures. For the avoidance of doubt, if no Qualified Bids (as defined in the Bidding Procedures) are submitted in accordance with the Bidding Procedures, the Term Loan Lenders shall be the Winning Bidder.

B. Rules of Interpretation

For purposes of this Plan: (1) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine, or neuter gender shall include the masculine, feminine, and the neuter gender; (2) any reference herein to a contract, lease, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (3) any reference herein to an existing document, schedule, or exhibit, whether or not Filed, having been Filed or to be Filed shall mean that document, schedule, or exhibit, as it may thereafter be amended, modified, or supplemented; (4) any reference to an Entity as a Holder of a Claim or Interest includes that Entity's successors and assigns; (5) unless otherwise specified, all references herein to "Articles" are references to Articles hereof or hereto; (6) unless otherwise specified, all references herein to exhibits are references to exhibits in the Plan Supplement; (7) unless otherwise specified, the words "herein," "hereof," and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (8) subject to the provisions of any contract, certificate of incorporation, bylaw, instrument, release, or other agreement or document entered into in connection with the Plan, the rights and obligations arising pursuant to the Plan shall be governed by, and construed and enforced in accordance with, applicable federal law, including the Bankruptcy Code and the Bankruptcy Rules, or, if no rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules) or otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws; (9) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (10) unless otherwise specified herein, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (11) all references to docket numbers of documents Filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (12) all references to statutes, regulations, orders, rules of courts, and the like shall mean as amended from time to time, and as applicable to the Chapter 11 Cases, unless otherwise stated; and (13) any immaterial effectuating provisions may be interpreted by the Reorganized Debtors in such a manner that is consistent with the overall purpose and intent of the Plan all without further Bankruptcy Court order.

C. Computation of Time

Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

D. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction, and implementation of the Plan, any agreements, documents, instruments, or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); *provided*, *however*, that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in New York shall be governed by the laws of the state or province of incorporation of the applicable Debtor or the Reorganized Debtors, as applicable.

E. Reference to Monetary Figures

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

F. Reference to the Debtors or the Reorganized Debtors

Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

ARTICLE II.
ADMINISTRATIVE CLAIMS, DIP FACILITY CLAIMS AND PRIORITY TAX CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, DIP Facility Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III.

A. Administrative Claims

1. Administrative Claims

Except with respect to Administrative Claims that are Accrued Professional Compensation Claims and except to the extent that a Holder of an Allowed Administrative Claim, on the one hand, and the Debtors and the Winning Bidder, on the other hand, agree to less favorable treatment with respect to such Holder, each Holder of an Allowed Administrative Claim shall be paid in full in Cash. Such Claims shall be paid as soon as reasonably practicable after the reconciliation of all Disputed Administrative Claims; *provided*, *however*, that Allowed Administrative Claims with respect to liabilities incurred by a Debtor in the ordinary course of business during the Chapter 11 Cases shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements related thereto; and *provided further*, *however*, that the Reorganized Debtors shall pay Entities in the ordinary course of business for any work performed on and after the Effective Date in furtherance of the Plan or as authorized hereunder, in each case subject to any subsequent budget set forth in the Plan Supplement, as applicable. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.

2. Professional Compensation

(a) *Accrued Professional Compensation Claims*

Professionals asserting a Accrued Professional Compensation Claim for services rendered before the Effective Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, or any other applicable order of the Bankruptcy Court, an application for final allowance of such Accrued Professional Compensation Claim no later than 30 days after the Effective Date. Objections to any Accrued Professional Compensation Claim must be Filed and served on the Reorganized Debtors and the requesting party no later than 60 days after the Effective Date. Each Accrued Professional Compensation Claim allowed pursuant to such a final application shall be paid before the date that is ten (10) business days after entry by the Bankruptcy Court of an order allowing such Accrued Professional Compensation Claim.

3. Administrative Claim Bar Date

Except as otherwise provided in this Article II.A, requests for payment of Administrative Claims must be Filed on or before the applicable Administrative Claims Bar Date. Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtors and the requesting party no later than 75 days after the Effective Date.

B. DIP Facility Claims

As of the Effective Date, the DIP Facility Claims shall be Allowed and deemed to be Allowed Claims in the full amount outstanding under the DIP Facility Credit Agreement, including principal, interest, fees, and expenses. On the Effective Date, the Holders of the DIP Facility Claims shall be paid in Cash in an amount equal to the amount of the DIP Facility Claims.

C. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Effective Date, at the option of the Debtors and the Winning Bidder, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; (2) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such Holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

D. Statutory Fees

On the Effective Date, the Debtors shall pay, in full in Cash, any fees due and owing to the U.S. Trustee at the time of Confirmation. On and after the Effective Date, the Reorganized Debtors shall pay the applicable U.S. Trustee fees until the entry of a final decree in such Debtor's Chapter 11 Case or until such Chapter 11 Case is converted or dismissed.

ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

A. Classification of Claims and Interests

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Interests. All Claims and Interests, except for Administrative Claims, DIP Facility Claims, and Priority Tax Claims, are classified in the Classes set forth in this Article III. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim also is classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and has not been paid, released, or otherwise satisfied before the Effective Date.

B. Summary of Classification

The Plan constitutes a separate chapter 11 plan of reorganization for each Debtor and, except as otherwise set forth below, the classifications for Classes 1 to 11 below shall be deemed to apply to each Debtor, as applicable. Certain classes with respect to certain Debtors may be vacant.

The following chart summarizes the classification of Claims and Interests pursuant to the Plan:

Class	Claim/Interest	Status	Voting Rights
1	Other Secured Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
2	Priority Non-Tax Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
3	ABL Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
4	Term Loan Claims	Impaired / Unimpaired	May be Entitled to Vote
5A	Mortgage Notes Claims Against Parent	Unimpaired	Not Entitled to Vote (Presumed to Accept)
5B	Mortgage Notes Claims Against PS Stores	Unimpaired	Not Entitled to Vote (Presumed to Accept)
5C	Mortgage Notes Claims Against Miraloma	Unimpaired	Not Entitled to Vote (Presumed to Accept)
6	Qualified Unsecured Trade Claims	Impaired	Entitled to Vote
7	General Unsecured Claims	Impaired	Entitled to Vote
8	Section 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
9	Intercompany Claims	Unimpaired	Not Entitled to Vote (Presumed to Accept)
10	Intercompany Interests	Unimpaired	Not Entitled to Vote (Presumed to Accept)
11	Parent Interests	Impaired	Not Entitled to Vote (Deemed to Reject)

C. Treatment of Claims and Interests

To the extent a Class contains Allowed Claims or Allowed Interests with respect to a particular Debtor, the treatment provided to each Class for distribution purposes is specified below:

1. Class 1 - Other Secured Claims

(a) *Classification:* Class 1 consists of Other Secured Claims.

(b) *Treatment:* Except to the extent that a Holder of an Other Secured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Other Secured Claim, each Holder of such Allowed Other Secured Claim shall receive one of the following treatments, as determined by the Debtors and the Winning Bidder: (i) payment in full in Cash, which shall be paid as

soon as reasonably practicable after the reconciliation of all Disputed Other Secured Claims; (ii) delivery of the collateral securing any such allowed secured claim; or (iii) other treatment such that the Allowed Other Secured Claim shall be rendered Unimpaired.

(c) *Voting:* Class 1 Other Secured Claims are Unimpaired by the Plan, and Holders of such Class 1 Other Secured Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Secured Claims are not entitled to vote to accept or reject the Plan.

2. Class 2 - Priority Non-Tax Claims

(a) *Classification*: Class 2 consists of Priority Non-Tax Claims.

(b) *Treatment*: Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Priority Non-Tax Claim, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash. Allowed Priority Non-Tax Claims shall be paid as soon as reasonably practicable after the reconciliation of all Disputed Priority Non-Tax Claims.

(c) *Voting*: Class 2 Priority Non-Tax Claims are Unimpaired by the Plan, and Holders of such Class 2 Priority Non-Tax Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Priority Non-Tax Claims are not entitled to vote to accept or reject the Plan.

3. Class 3 - ABL Claims

(a) *Classification*: Class 3 consists of the ABL Claims.

(b) *Allowance*: The ABL Claims shall be Allowed.

(c) *Treatment*: On the Effective Date, to the extent any ABL Claims are outstanding, Holders of the ABL Claims shall receive Cash in an amount equal to the amount of outstanding Allowed ABL Claims.

(d) *Voting*: Class 3 ABL Claims are Unimpaired by the Plan and Holders of such Class 3 ABL Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

4. Class 4 - Term Loan Claims

(a) *Classification*: Class 4 consists of the Term Loan Claims.

(b) *Allowance*: The Term Loan Claims shall be Allowed.

(c) *Treatment:* On the Effective Date, in exchange for full and final satisfaction, settlement, release, and discharge of the Term Loan Claims, either (i) if the Holders of the Term Loan Claims are the Winning Bidder on account of their Credit Bid of such Claims, the Holders of the Term Loan Claims shall receive 100 percent of the New Parent Interests and the New Term Loan; or (ii) if the Term Loan Lenders are not the Winning Bidder, the Holders of the Term Loan Claims shall receive Cash in an amount equal to the amount of Allowed Term Loan Claims.

(d) *Voting:* If the Holders of the Term Loan Claims receive the treatment in subsection (c)(i) above, Class 4 Term Loan Claims are Impaired by the Plan, and Holders of such Class 4 Term Loan Claims are entitled to vote to accept or reject the Plan. If the Holders of the Term Loan Claims receive the treatment in subsection (c)(ii) above, Class 4 Term Loan Claims are Unimpaired by the Plan and Holders of such Class 4 Term Loan Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

5. Class 5A - Mortgage Notes Claims Against Parent

(a) *Classification*: Class 5A consists of all Mortgage Notes Claims against Parent.

(b) *Treatment*: Mortgage Notes Claims against Parent will be reinstated as of the Effective Date.

(c) *Voting*: Class 5A Mortgage Notes Claims against Parent are Unimpaired, and Holders of such Class 5A Mortgage Notes Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5A Mortgage Notes Claims are not entitled to vote to accept or reject the Plan.

6. Class 5B - Mortgage Notes Claims Against PS Stores

(a) *Classification*: Class 5B consists of all Mortgage Notes Claims against PS Stores.

(b) *Treatment*: Mortgage Notes Claims against PS Stores will be reinstated as of the Effective Date.

(c) *Voting*: Class 5B Mortgage Notes Claims against PS Stores are Unimpaired, and Holders of such Class 5B Mortgage Notes Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5B Mortgage Notes Claims are not entitled to vote to accept or reject the Plan.

7. Class 5C - Mortgage Notes Claims Against Miraloma

(a) *Classification*: Class 5C consists of all Mortgage Notes Claims against Miraloma.

(b) *Treatment*: Mortgage Notes Claims against Miraloma will be reinstated as of the Effective Date.

(c) *Voting*: Class 5C Mortgage Notes Claims against Miraloma are Unimpaired, and Holders of such Class 5C Mortgage Notes Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5C Mortgage Notes Claims are not entitled to vote to accept or reject the Plan.

8. Class 6 - Qualified Unsecured Trade Claims

(a) *Classification*: Class 6 consists of all Qualified Unsecured Trade Claims against the Debtors.

(b) *Treatment*: Except to the extent that a Holder of an Allowed Qualified Unsecured Trade Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Allowed Qualified Unsecured Trade Claim, each Holder of an Allowed Qualified Unsecured Trade Claim shall receive payment in full on account of such Qualified Unsecured Trade Claim in the following manner: (i) 50% of the such Allowed Qualified Unsecured Trade Claims to be paid on the

Effective Date; and (ii) 50% of the Allowed Qualified Unsecured Trade Claim to be paid on December 15, 2016 the later; *provided*, *however*, that Holders of Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees, or penalties on account of such Claims.

(c) *Voting*: Class 6 Qualified Unsecured Trade Claims are Impaired under the Plan. Therefore, Holders of such Qualified Unsecured Trade Claims are entitled to vote to accept or reject the Plan.

9. Class 7 – General Unsecured Claims

(a) *Classification:* Class 7 consists of General Unsecured Claims.

(b) *Treatment:* Except to the extent that a Holder of an Allowed Class 7 General Unsecured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of the each Allowed Class 7 General Unsecured Claim, each Holder of an Allowed Class 7 General Unsecured Claim shall receive its Pro Rata share of the General Unsecured Claims Recovery Pool; *provided* that, on the Effective Date, Holders of the deficiency portion of the Term Loan Claims against Parent, PS Stores and Miraloma shall be deemed to have waived their right to receive any distribution from the Class 7 General Unsecured Claims Recovery Pool on account of such deficiency portion of the Term Loan Claims against Parent, PS Stores and Miraloma. Allowed Class 7 General Unsecured Claims shall be paid as soon as reasonably practicable after the reconciliation of all Disputed Class 7 General Unsecured Claims.

(c) *Voting:* Class 7 General Unsecured Claims are Impaired under the Plan. Therefore, Holders of such Class 7 General Unsecured Claims are entitled to vote to accept or reject the Plan.

10. Class 8 - Section 510(b) Claims

(a) *Classification:* Class 8 consists of all Section 510(b) Claims.

(b) *Treatment*: On the Effective Date, all Claims in Class 8 shall be cancelled without any distribution.

(c) *Voting:* Class 8 Section 510(b) Claims are Impaired under the Plan, and Holders of such Class 8 Section 510(b) Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 8 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

11. Class 9 - Intercompany Claims

(a) *Classification*: Class 9 consists of all Intercompany Claims.

(b) *Treatment*: Intercompany Claims will be Reinstated as of the Effective Date.

(c) *Voting*: Class 9 Intercompany Claims are Unimpaired under the Plan, and the Holders of such Class 9 Intercompany Claims conclusively is presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Class 9 Intercompany Claims are not entitled to vote to accept or reject the Plan.

12. Class 10 - Intercompany Interests

(a) *Classification:* Class 10 consists of all Intercompany Interests.

(b) *Treatment*: Intercompany Interests will be Reinstated as of the Effective Date.

(c) *Voting*: Class 10 Intercompany Interests are Unimpaired under the Plan, and the Holder of such Class 10 Intercompany Interests conclusively is presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holder of Class 10 Intercompany Interests is not entitled to vote to accept or reject the Plan.

13. Class 11 - Parent Interests

(a) *Classification:* Class 11 consists of Parent Interests.

(b) *Treatment:* Holders of Parent Interests shall not receive any distribution on account of such Interests. On the Effective Date, Parent Interests shall be cancelled and discharged.

(c) *Voting:* Class 11 Parent Interests are Impaired and Holders of such Class 11 Parent Interests are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 11 Parent Interests are not entitled to vote to accept or reject the Plan.

D. Acceptance or Rejection of the Plan

1. Voting Classes

Classes 6 and 7 are Impaired under the Plan. Each Holder of a Claim in such Classes is entitled to vote to accept or reject the Plan. Class 4 may be Impaired under the Plan if not paid in full in cash and in such case each Holder of a Claim in such Class is entitled to vote to accept or reject the Plan.

2. Presumed Acceptance of the Plan

Classes 1, 2, 3, 5A, 5B, 5C, 9 and 10 are Unimpaired under the Plan. Each Holder of a Claim in such Classes is presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and is not entitled to vote to accept or reject the Plan.

3. Presumed Rejection of Plan

Classes 8 and 11 are Impaired and shall receive no distribution under the Plan. Each Holder of a Claim or Interest in such Classes is deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and is not entitled to vote to accept or reject the Plan.

E. Special Provision Governing Claims that are Not Impaired

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Claims that are not Impaired, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Claims that are not Impaired. If a controversy arises as to whether any Claims or Interests, or any Class of Claims or Interests, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

F. Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests.

G. Subordinated Claims

Except as expressly provided herein, the allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors and the Reorganized Debtors reserve the right to reclassify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

H. Elimination of Vacant Classes

Any Class of Claims or Interests that does not have a Holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court in an amount greater than zero as of the date of the Confirmation Hearing shall be considered vacant and deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

I. Intercompany Claims and Intercompany Interests.

Distributions on account of Intercompany Claims and Intercompany Interests are not being received by Holders of such Intercompany Claims and Intercompany Interests on account of such Intercompany Claims and Intercompany Interests but for the purposes of administrative convenience, for the ultimate benefit of the Holders of New Parent Interests.

ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN

A. Restructuring Transactions

On or after the Effective Date, the Debtors or Reorganized Debtors, as applicable, shall enter into the Restructuring Transactions and shall take any actions as may be necessary or appropriate to effect a restructuring of the corporate and capital structure of the Reorganized Debtors, as and to the extent provided therein. The Restructuring Transactions may include one or more inter-company mergers, consolidations, amalgamations, arrangements, continuances, restructurings, conversions, dissolutions, transfers, liquidations, or other corporate transactions as may be determined by the Debtors or the Reorganized Debtors, as applicable, to be necessary or appropriate. The actions to effect the Restructuring Transactions may include: (1) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, or dissolution pursuant to applicable state or provincial law; and (4) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law in connection with the Restructuring Transactions, regardless of whether such actions are taken on or after the Effective Date.

B. Reorganized Parent

On the Effective Date, the New Board of Reorganized Parent shall be established, and Reorganized Parent shall adopt its New Organizational Documents. The Reorganized Debtors shall be authorized to implement the Restructuring Transactions and adopt any other agreements, documents, and instruments and to take any other actions contemplated under the Plan as necessary or desirable to consummate the Plan, which actions, regardless of whether taken before, before, on or after the Effective Date, shall be deemed to constitute a Restructuring Transaction.

C. Sources of Consideration for Plan Distributions.

The Reorganized Debtors shall fund distributions under the Plan with Cash on hand, including Cash from operations, as well as the following sources of consideration.

1. New ABL Facility

On the Effective Date, the Reorganized Debtors shall enter into the New ABL Facility. The Reorganized Debtors shall use proceeds of the New ABL Facility to fund ongoing operations and obligations under the Plan, including to pay or refinance the DIP Facility Claims and the ABL Claims in full in cash.

2. New Money Investment

On the Effective Date, if the Term Loan Lenders are the Winning Bidder, the Reorganized Debtors shall receive the New Money Investment. The Reorganized Debtors shall use proceeds of the New Money Investment to fund ongoing operations.

3. Issuance of New Parent Interests

The issuance of the New Parent Interests by Reorganized Parent is authorized without the need for any further corporate action or without any further action by the Holders of Claims or Interests.

All of the units of New Parent Interests issued pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance referred to in Article VI hereof shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

D. Corporate Existence

Except as otherwise provided in the Plan, each Debtor shall continue to exist after the Effective Date as a separate corporation, limited liability company, partnership, or other form of entity, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form of entity, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other similar formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other similar formation documents) are amended under the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial, or federal law).

E. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated in the Plan, on the Effective Date, all property in each Estate, all Causes of Action, and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective 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,

each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

F. Cancellation of Securities and Agreements

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of the Debtors under the ABL Credit Agreement, the Term Loan Credit Agreement, and any other Certificate, Security, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such certificates, notes, or other instruments or documents evidencing indebtedness or obligation of or ownership interest in the Debtors that are Reinstated pursuant to the Plan), shall be cancelled solely as to the Debtors and their affiliates, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors and their affiliates pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, indentures, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors (except such agreements, certificates, notes, or other instruments evidencing indebtedness or obligation of or ownership interest in the Debtors that are specifically Reinstated pursuant to the Plan) shall be released and discharged; *provided*, *however*, that notwithstanding Confirmation or Consummation, any such indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of allowing Holders to receive distributions under the Plan; *provided further*, *however*, that the preceding proviso 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 Debtors; *provided further*, *however*, that the foregoing shall not effect the cancellation of shares issued pursuant to the Restructuring Transactions nor any other shares held by one Debtor in the capital of another Debtor; *provided further*, *however*, that the foregoing shall not impact or cancel the New ABL Facility. Notwithstanding the foregoing, no executory contract or unexpired lease that (i) has been, or will be, assumed pursuant to Section 365 of the Bankruptcy Code, (ii) relating to a claim pursuant to which any of the Debtors has entered into a Qualified Vendor Support Agreement, or (iii) relating to a Claim that was paid in full prior to the Effective Date, shall be terminated or cancelled on the Effective Date.

G. Corporate Action

Upon the Effective Date, all actions contemplated under the Plan, regardless of whether taken before, on or after the Effective Date, shall be deemed authorized and approved in all respects, including: (1) selection of the directors and officers for the Reorganized Debtors; (2) the issuance of the New Parent Interests; (3) implementation of the Restructuring Transactions; (4) execution of the New ABL Facility Credit Agreement and any and all other agreements, documents, securities, and instruments relating thereto; and (5) all other actions contemplated under the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan or deemed necessary or desirable by the Debtors before, on or after the Effective Date involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan or corporate structure of the Debtors or Reorganized Debtors shall be deemed to have occurred and shall be in effect on the Effective Date, without any requirement of further action by the security holders, directors, or officers of the Debtors or the Reorganized Debtors. Before, on or after the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors, as applicable, shall be authorized to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated under the Plan (or necessary or desirable to effect the transactions contemplated under the Plan) in the name of and on behalf of the Reorganized Debtors, including the New ABL Facility Credit Agreement and any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV.G shall be effective notwithstanding any requirements under non-bankruptcy law. The issuance of the New Parent Interests shall be exempt from the requirements of section 16(b) of the Securities Exchange Act of 1934 (pursuant to Rule 16b-3 promulgated thereunder) with respect to any acquisition of such securities by an officer or director (or a director deputized for purposes thereof) as of the Effective Date.

H. New Organizational Documents

Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Organizational Documents will prohibit the issuance of non-voting equity securities. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Organizational Documents and other constituent documents as permitted by the laws of their respective state, province, or country of incorporation and their respective New Organizational Documents and any such action shall be deemed a Restructuring Transaction deemed to have occurred and be in effect on the Effective Date.

I. Directors, Managers, and Officers of the Reorganized Debtors.

As of the Effective Date, the term of the current members of the board of directors of the Debtors shall expire, and the initial boards of directors, including the New Boards, and the officers of each of the Reorganized Debtors shall be appointed by the Winning Bidder in accordance with the respective New Organizational Documents. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of any Person proposed to serve on the initial board of directors or be an officer of any of the Reorganized Debtors. To the extent any such director or officer of the Reorganized Debtors is an "insider" under the Bankruptcy Code, the Debtors also will disclose the nature of any compensation to be paid to such director or officer. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of the Reorganized Debtors.

J. Effectuating Documents; Further Transactions

On and after the Effective Date, the Reorganized Debtors, and the officers and members of the boards of directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, the Restructuring Transactions, and the Securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan; *provided*, that, for the avoidance of doubt, the dissolution of PS Stores for tax purposes, the merger of PS Stores into Parent, conversion of PS Stores into a limited liability company, or any other transaction after the Effective Date shall be deemed a Restructuring Transaction deemed to have occurred and be in effect on the Effective Date.

K. Section 1146 Exemption

Pursuant to section 1146 of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forgo the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment.

L. Director and Officer Liability Insurance; Other Insurance

After the Effective Date, the Reorganized Debtors shall not terminate or otherwise reduce the coverage under the Debtors' tail coverage liability insurance (i.e., directors' and officers' liability insurance coverage that extends beyond the end of the policy period) in effect and all members, managers, directors, and officers of the Debtors who served in such capacity at any time prior to the Effective Date of the Plan shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such members, managers, directors, and/or officers remain in such positions after the Effective Date of the Plan.

The Debtors will maintain and, to the extent applicable, assume their directors' and officers', general liability, and other insurance policies. The Debtors will list all current year insurance policies among the Assumed Executory Contracts and Unexpired Lease List.

M. Preservation of Causes of Action

In accordance with section 1123(b) of the Bankruptcy Code, but subject to Article IV.L hereof, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against it. The Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan.** Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, a Qualified Vendor Support Agreement, or a Bankruptcy Court order, the Reorganized Debtors expressly reserve 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 Confirmation or Consummation of the Plan.

In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors. The applicable Reorganized Debtors, through their authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

Notwithstanding anything to the contrary in the Plan, all Avoidance Actions, except than those elected to be preserved by the Winning Bidder in their sole discretion as set forth in the Plan Supplement, are hereby waived, relinquished, exculpated, released, compromised, and settled.

N. Section 1145 Exemption

Pursuant to section 1145 of the Bankruptcy Code and, to the extent that section 1145 of the Bankruptcy Code is inapplicable, section 4(a)(2) of the Securities Act, the issuance of the New Parent Interests as contemplated by the Plan is exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable United States, state, or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, a security. As long as the exemption to registration under section 1145 of the Bankruptcy Code is applicable, the New Parent Interests are not "restricted securities" (as defined in rule 144(a)(3) under the Securities Act) and are freely tradable and transferable by any initial recipient thereof that (x) is not an "affiliate" of the Reorganized Debtors (as defined in rule 144(a)(1) under the Securities Act), (y) has not been such an "affiliate" within 90 days of such transfer, and (z) is not an entity that is an "underwriter" as defined in section 1145(b) of the Bankruptcy Code.

Should the Reorganized Debtors elect on or after the Effective Date to reflect any ownership of the New Parent Interests through the facilities of the DTC, the Reorganized Debtors need not provide any further evidence other than the Plan or the Confirmation Order with respect to the treatment of the New Parent Interests under applicable securities laws. The DTC shall be required to accept and conclusively rely upon the Plan and Confirmation Order in lieu of a legal opinion regarding whether the New Parent Interests are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services.

Notwithstanding anything to the contrary in the Plan, no Entity (including, for the avoidance of doubt, the DTC) may require a legal opinion regarding the validity of any transaction contemplated by the Plan, including, for the avoidance of doubt, whether the New ABL Facility or the New Parent Interests are exempt from registration and/or eligible for DTC book-entry delivery, settlement, and depository services.

ARTICLE V.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to assume Filed on or before the Effective Date; (4) is identified on the Assumed Executory Contracts and Unexpired Lease List; or (5) is either of the License Agreements.

Notwithstanding anything to the contrary contained herein, on the Effective Date, the Employee Plans shall be assumed by the Reorganized Debtors pursuant to the provisions of this Article V, provided, however, that in respect of any employee included in the Debtors' Key Employee Incentive Plan or Key Employee Retention Plan, the Fiscal 2016 Bonus Plan shall be assumed by the Reorganized Debtors only on a prorated basis for the period after the Effective Date (such that the bonus payable to any such employee under the Fiscal 2016 Bonus Plan shall equal (x) the bonus, if any, payable under the Fiscal 2016 Bonus Plan multiplied by (y) (i) the number of days between the Effective Date and the end of fiscal year 2016, divided by (ii) 365).

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumptions or rejections of such Executory Contracts or Unexpired Leases as set forth in the Plan, the Assumed Executory Contract and Unexpired Leases List, or the Rejected Executory Contract and Unexpired Leases List, pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, assumptions or rejections of Executory Contracts and Unexpired Leases pursuant to the Plan are effective as of the Effective Date or such later date as the Winning Bidder and an objecting counterparty may fix and agree and the Bankruptcy Court approves. Each Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order but not assigned to a third party before the Effective Date shall re-vest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms may have been modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order.

B. Claims Based on Rejection of Executory Contracts or Unexpired Leases

Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, if any, must be filed with the Bankruptcy Court within 30 days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed within such time will be automatically disallowed, forever barred from assertion, and unenforceable against the Debtors or the Reorganized Debtors, the Estates, or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order or approval of the Bankruptcy Court. Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Article III of the Plan, as applicable.

Rejection Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates, and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. Such Rejection Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII hereof.

C. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed

Any monetary defaults under each Executory Contract and Unexpired Lease shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date, subject to the limitations described below, or on such other terms as the parties to such Executory Contracts or Unexpired

Leases may otherwise agree. In the event of a dispute regarding (1) the amount of any payments to cure such a default, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption.

At least seven (7) days before the deadline to object to confirmation of the Plan, the Debtors shall distribute, or cause to be distributed, Cure Notices of proposed assumption and proposed amounts of Cure Claims to the applicable third parties. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related cure amount must be Filed, served and actually received by the Debtors by the deadline to object to confirmation of the Plan. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or cure amount; *provided*, *however*, the Debtors and the Winning Bidder, shall have the right to alter, amend, modify, or supplement the Assumed Executory Contracts and Unexpired Lease List or Rejected Executory Contracts and Unexpired Lease List, as applicable, as identified in the Plan Supplement, through and including the Effective Date (except that, notwithstanding anything to the contrary contained herein, no such alteration, amendment, modification, or supplement may remove any of the Employee Plans from the Assumed Executory Contracts and Unexpired Lease List). To the extent that the Debtors and the Winning Bidder alter, amend, modify, or supplement the lists of Executory Contracts and Unexpired Lease included in the Plan Supplement, the Debtors will provide notice to each counterparty to an affected Executory Contract or Unexpired Lease within five days of such decision. To the extent such alteration, amendment, modification, or supplement to the Assumed Executory Contracts and Unexpired Lease List identifies an Executory Contract or Unexpired Lease that was not previously on such list or reduces the calculation of a Cure Claim, the notice provided to each affected counterparty shall provide a deadline of not less than ten (10) Business Days from the date of service of such notice for such affected counterparty to object to the proposed assumption or related Cure Claim.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the date of the Debtors or Reorganized Debtors assume such Executory Contract or Unexpired Lease. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

D. Modifications, Amendments, Supplements, Restatements, or Other Agreements

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and Executory Contracts and Unexpired Leases related thereto, if any, including easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

E. Reservation of Rights

Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Assumed or Rejected Executory Contract and Unexpired Lease List, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or

was executory or unexpired at the time of assumption or rejection, the Debtors and the Winning Bidder shall have 28 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

F. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting unexpired leases pursuant to section 365(d)(4) of the Bankruptcy Code.

ARTICLE VI.
PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Calculation of Amounts to Be Distributed

Unless otherwise provided in the Plan, on the Effective Date, each Holder of an Allowed Claim shall receive such distributions that the Plan provides for Allowed Claims in each applicable Class in accordance with Article III hereof. In the event that 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, but shall be deemed to have been completed as of the required date. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII of the Plan. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for in the Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date. The Debtors shall have no obligation to recognize any transfer of Claims or Interests occurring on or after the Voting Deadline.

B. Disbursing Agent

Distributions under the Plan shall be made by the Disbursing Agent. The Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court.

C. Rights and Powers of Disbursing Agent

1. Powers of the Disbursing Agent

The Disbursing Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred On or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and out-of-pocket expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and out-of-pocket expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

D. Delivery of Distributions and Undeliverable or Unclaimed Distributions

1. Delivery of Distributions

Except as otherwise provided herein, the Reorganized Debtors shall make distributions to Holders of Allowed Claims and Allowed Interests on the Effective Date at the address for each such Holder as indicated on the

Debtors' records as of the date of any such distribution; *provided*, *however*, that the manner of such distributions shall be determined at the discretion of the Reorganized Debtors.

2. Minimum Distributions

Notwithstanding any other provision of the Plan, the Disbursing Agent will not be required to make distributions of Cash less than $50 in value, and each such Claim to which this limitation applies shall be discharged pursuant to Article VIII and its Holder is forever barred pursuant to Article VIII from asserting that Claims against the Debtors or their property.

3. Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Disbursing Agent has determined the then-current address of such Holder, at which time such distribution shall be made to such Holder without interest; *provided*, *however*, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of one year from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors automatically and without need for a further order by the Bankruptcy Court (notwithstanding any applicable federal, provincial, or state escheat, abandoned or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

E. Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, the Debtors or the Reorganized Debtors, as applicable, shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Disbursing Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Debtors and Reorganized Debtors, as applicable, reserve the right to allocate all distributions made under the Plan in compliance with applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances.

F. Allocations

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

G. Setoffs and Recoupment

The Debtors may, but shall not be required to, setoff against or recoup from any Claims of any nature whatsoever that the Debtors may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such Claim it may have against the Holder of such Claim.

H. Claims Paid or Payable by Third Parties

1. Claims Paid by Third Parties

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claim objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or the Reorganized Debtors. Subject to the last sentence of this

paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or the Reorganized Debtors on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Debtor or the Reorganized Debtors, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Debtor or the Reorganized Debtors annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the two-week grace period specified above until the amount is repaid.

2. Claims Payable by Third Parties

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, the applicable portion of such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

ARTICLE VII.
PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

A. Allowance of Claims

After the Effective Date, the Reorganized Debtors shall have and retain any and all rights and defenses such Debtor had with respect to any Claim or Interest immediately before the Effective Date.

B. Claims Administration Responsibilities

Except as otherwise specifically provided in the Plan, after the Effective Date, the Reorganized Debtors shall have the sole authority: (1) to File, withdraw, or litigate to judgment objections to Claims or Interests; (2) to settle or compromise any Disputed Claim without any further notice to or action, order, or approval by the Bankruptcy Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order, or approval by the Bankruptcy Court.

C. Estimation of Claims

Before or after the Effective Date, the Debtors or Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any Claim that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim or Interest, including during the litigation of any objection to any Claim or Interest or during the appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the Claims Register, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim or Interest, that estimated amount shall constitute a maximum limitation on such Claim or

Interest for all purposes under the Plan (including for purposes of distributions), and the relevant Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim or Interest.

D. Adjustment to Claims Without Objection

Any Claim or Interest that has been paid or satisfied, or any Claim or Interest that has been amended or superseded, cancelled or otherwise expunged (including pursuant to the Plan), may be adjusted or expunged (including on the Claims Register, to the extent applicable) by the Reorganized Debtors without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

E. Time to File Objections to Claims

Any objections to Claims shall be Filed on or before the Claims Objection Deadline (as may be extended by order of the Bankruptcy Court).

F. Disallowance of Claims

Except as otherwise provided herein, any Claims held by Entities from which property is recoverable under section 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and Holders of such Claims may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court order with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Reorganized Debtors. All Claims Filed on account of an employee benefit shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent the Reorganized Debtors elect to honor such employee benefit (or assume the agreement(s) providing such employee benefit), without any further notice to or action, order, or approval of the Bankruptcy Court.

EXCEPT AS PROVIDED HEREIN OR OTHERWISE AGREED, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE CLAIMS BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.

G. Amendments to Claims

On or after the applicable bar date, a Claim may not be Filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors. Absent such authorization, any new or amended Claim Filed shall be deemed disallowed in full and expunged without any further action.

H. No Distributions Pending Allowance

If an objection to a Claim or portion thereof is Filed as set forth in Article VII.B, no payment or distribution provided under the Plan shall be made on account of such Claim or portion thereof unless and until such Disputed Claim becomes an Allowed Claim.

I. Distributions After Allowance

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder

is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim unless required under applicable bankruptcy law.

ARTICLE VIII.
SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

A. Compromise and Settlement of Claims, Interests and Controversies

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests, and is fair, equitable, and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order, or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

B. Discharge of Claims and Termination of Interests

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent such Claims or Interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim based upon such debt or right is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. Any default or "event of default" by the Debtors or Affiliates with respect to any Claim or Interest that existed immediately before or on account of the Filing of the Chapter 11 Cases shall be deemed cured (and no longer continuing) as of the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

C. Release of Liens

Except as otherwise specifically provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtor and its successors and assigns.

D. Releases by the Debtors

ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, FOR GOOD AND VALUABLE CONSIDERATION, THE RELEASED PARTIES WILL

BE AND WILL BE DEEMED TO BE EXPRESSLY, UNCONDITIONALLY, GENERALLY, AND INDIVIDUALLY AND COLLECTIVELY RELEASED, ACQUITTED, AND DISCHARGED BY THE DEBTORS AND THEIR ESTATES AND THE REORGANIZED DEBTORS FROM ANY AND ALL ACTIONS, CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED (OR THAT COULD BE ASSERTED) ON BEHALF OF THE DEBTORS, THEIR ESTATES, OR THE REORGANIZED DEBTORS (AS APPLICABLE), WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT, OR OTHERWISE, BY STATUTE OR OTHERWISE, THAT THE DEBTORS, THE REORGANIZED DEBTORS, THE DEBTORS' ESTATES OR THEIR AFFILIATES (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR INTEREST OR OTHER ENTITY, EVER HAD, NOW HAS OR HEREAFTER CAN, SHALL OR MAY HAVE, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS (INCLUDING THE MANAGEMENT, OWNERSHIP OR OPERATION THEREOF), THE DEBTORS' IN OR OUT OF COURT RESTRUCTURING EFFORTS, THE DIP CREDIT AGREEMENT, THE ABL CREDIT AGREEMENT, THE TERM LOAN CREDIT AGREEMENT, THE CHAPTER 11 CASES, THE FILING OF THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PARTY, THE RESTRUCTURING OF CLAIMS AND INTERESTS BEFORE OR DURING THE RESTRUCTURING, ANY PREFERENCE OR AVOIDANCE CLAIM PURSUANT TO SECTIONS 544, 547, 548, AND 549 OF THE BANKRUPTCY CODE, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN, THE PURSUIT OF CONFIRMATION, THE PURSUIT OF CONSUMMATION, THE ADMINISTRATION AND IMPLEMENTATION OF THE PLAN, INCLUDING THE ISSUANCE OR DISTRIBUTION OF SECURITIES PURSUANT TO THE PLAN OR THE DISTRIBUTION OF PROPERTY UNDER THE PLAN, THE RESTRUCTURING SUPPORT AGREEMENT, THE PLAN SUPPLEMENT, ANY DISCLOSURE STATEMENT, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS (INCLUDING, FOR THE AVOIDANCE OF DOUBT, PROVIDING ANY LEGAL OPINION REQUESTED BY ANY ENTITY REGARDING ANY TRANSACTION, CONTRACT, INSTRUMENT, DOCUMENT, OR OTHER AGREEMENT CONTEMPLATED BY THE PLAN OR THE RELIANCE BY ANY RELEASED PARTY ON THE PLAN OR THE ORDER CONFIRMING THE PLAN IN LIEU OF SUCH LEGAL OPINION), OR ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE RELATING TO THE DEBTORS TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE OF THE PLAN, EXCEPT FOR ANY CLAIMS AND CAUSES OF ACTION FOR ACTUAL FRAUD.

E. Releases by Holders

ON THE EFFECTIVE DATE OF THE PLAN AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A RELEASED PARTY) SHALL BE DEEMED TO HAVE EXPRESSLY, UNCONDITIONALLY, GENERALLY AND INDIVIDUALLY AND COLLECTIVELY, RELEASED, ACQUITTED AND DISCHARGED THE RELEASED PARTIES FROM ANY AND ALL ACTIONS, CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED (OR THAT COULD BE ASSERTED) ON BEHALF OF THE DEBTORS, THEIR ESTATES, OR THE REORGANIZED DEBTORS (AS APPLICABLE), WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT, OR OTHERWISE, BY STATUTE OR OTHERWISE, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS (INCLUDING THE MANAGEMENT, OWNERSHIP OR OPERATION THEREOF), THE DEBTORS' IN OR OUT OF COURT RESTRUCTURING EFFORTS, THE DIP CREDIT AGREEMENT, THE ABL CREDIT AGREEMENT, THE TERM LOAN CREDIT AGREEMENT, THE CHAPTER 11 CASES, THE FILING OF THE CHAPTER 11 CASES, THE PURCHASE, SALE, OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED

PARTY, THE RESTRUCTURING OF CLAIMS AND INTERESTS BEFORE OR DURING THE RESTRUCTURING, THE NEGOTIATION, ANY PREFERENCE OR AVOIDANCE CLAIM PURSUANT TO SECTIONS 544, 547, 548, AND 549 OF THE BANKRUPTCY CODE, FORMULATION, OR PREPARATION OF THE PLAN, THE PURSUIT OF CONFIRMATION, THE PURSUIT OF CONSUMMATION, THE ADMINISTRATION AND IMPLEMENTATION OF THE PLAN, INCLUDING THE ISSUANCE OR DISTRIBUTION OF SECURITIES PURSUANT TO THE PLAN OR THE DISTRIBUTION OF PROPERTY UNDER THE PLAN, THE RESTRUCTURING SUPPORT AGREEMENT, THE PLAN SUPPLEMENT, ANY DISCLOSURE STATEMENT, OR RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS (INCLUDING, FOR THE AVOIDANCE OF DOUBT, PROVIDING ANY LEGAL OPINION REQUESTED BY ANY ENTITY REGARDING ANY TRANSACTION, CONTRACT, INSTRUMENT, DOCUMENT, OR OTHER AGREEMENT CONTEMPLATED BY THE PLAN OR THE RELIANCE BY ANY RELEASED PARTY ON THE PLAN OR THE ORDER CONFIRMING THE PLAN IN LIEU OF SUCH LEGAL OPINION), OR ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE RELATING TO THE DEBTORS TAKING PLACE ON OR BEFORE THE EFFECTIVE DATE OF THE PLAN, EXCEPT FOR ANY CLAIMS AND CAUSES OF ACTION FOR ACTUAL FRAUD; PROVIDED, HOWEVER, THAT INDEMNITY OBLIGATIONS UNDER THE DIP FACILITY AND THE OBLIGATIONS UNDER THE NEW ABL FACILITY SHALL NOT BE RELEASED HEREUNDER.

F. Exculpation

EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN OR PLAN SUPPLEMENT, NO EXCULPATED PARTY SHALL HAVE OR INCUR, AND EACH EXCULPATED PARTY IS HEREBY RELEASED AND EXCULPATED FROM ANY EXCULPATED CLAIM, OBLIGATION, CAUSE OF ACTION OR LIABILITY FOR ANY EXCULPATED CLAIM, EXCEPT FOR ACTUAL FRAUD OR WILLFUL MISCONDUCT, BUT IN ALL RESPECTS SUCH ENTITIES SHALL BE ENTITLED TO REASONABLY RELY UPON THE ADVICE OF COUNSEL WITH RESPECT TO THEIR DUTIES AND RESPONSIBILITIES PURSUANT TO THE PLAN. THE EXCULPATED PARTIES HAVE PARTICIPATED IN ANY AND ALL ACTIVITIES POTENTIALLY UNDERLYING ANY EXCULPATED CLAIM IN GOOD FAITH AND IN COMPLIANCE WITH ALL APPLICABLE LAWS.

G. Injunction

FROM AND AFTER THE EFFECTIVE DATE, EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN OR FOR OBLIGATIONS ISSUED OR REQUIRED TO BE PAID PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES THAT HAVE HELD, HOLD, OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO Article VIII.D OR Article VIII.E OF THE PLAN, SHALL BE DISCHARGED PURSUANT TO ARTICLE VIII.B OF THE PLAN, OR ARE SUBJECT TO EXCULPATION PURSUANT TO Article VIII.F OF THE PLAN, ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST, AS APPLICABLE, THE DEBTORS, THE REORGANIZED DEBTORS, OR THE RELEASED PARTIES: (I) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (II) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (III) CREATING, PERFECTING, OR ENFORCING ANY LIEN OR ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR THE ESTATES OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (IV) ASSERTING ANY RIGHT OF SETOFF, SUBROGATION, OR RECOUPMENT OF ANY KIND AGAINST ANY OBLIGATION DUE FROM SUCH ENTITIES OR AGAINST THE PROPERTY OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH SETOFF RIGHT IN A DOCUMENT FILED WITH THE BANKRUPTCY COURT EXPLICITLY PRESERVING SUCH SETOFF, AND NOTWITHSTANDING AN INDICATION OF A CLAIM OR INTEREST OR OTHERWISE THAT SUCH ENTITY ASSERTS, HAS, OR INTENDS TO PRESERVE ANY RIGHT OF

SETOFF PURSUANT TO APPLICABLE LAW OR OTHERWISE; AND (V) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED OR SETTLED PURSUANT TO THE PLAN.

H. Term of Injunctions or Stays

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order), shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

ARTICLE IX.
CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions Precedent to Confirmation

It shall be a condition to Confirmation that all provisions, terms, and conditions hereof are approved in the Confirmation Order.

B. Conditions Precedent to the Effective Date

It shall be a condition to the Effective Date of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article IX.C hereof:

1. the Plan, the Confirmation Order, the New ABL Facility Credit Agreement and the New Term Loan Credit Agreement shall be in form and substance consistent in all material respects with the Restructuring Support Agreement and, to the extent the Plan, the Confirmation Order, the New ABL Facility Credit Agreement or the New Term Loan Credit Agreement contain terms not expressly contemplated by the Restructuring Support Agreement, otherwise acceptable in all respects to the Debtors and the Term Loan Lenders in their respective sole discretion, and each of the foregoing shall be in full force and effect;

2. the assumption of the License Agreements shall have been approved by a Final Order of the Bankruptcy Court (or other court of competent jurisdiction), and any and all conditions to assumption thereof shall have been satisfied;

3. the rejection of any Executory Contracts or Unexpired Leases identified for rejection shall have been approved by a Final Order of the Bankruptcy Court (or other court of competent jurisdiction), and any and all conditions to rejection thereof shall have been satisfied;

4. the Bankruptcy Court shall have entered the Confirmation Order and the Confirmation Order shall have become a Final Order;

5. the Restructuring Support Agreement shall not have been terminated and shall be in full force and effect and assumed in connection with Confirmation;

6. all reasonable and documented fees and out-of-pocket costs and expenses of the ABL Agent, ABL Lender, Term Loan Agent, Term Loan Lenders, DIP Agent, DIP Lenders, New ABL Agent, and New ABL Lenders shall have been paid in full in cash by the Debtors;

7. the amount of (a) non-ordinary course Allowed Administrative Claims shall not exceed an aggregate of $8.0 million, provided that, for the avoidance of doubt, ordinary course Administrative Claims include (i) Claims under section 503(b)(9) of the Bankruptcy Code, (ii) Claims in respect of postpetition payroll and

employee benefits, (iii) Claims by vendors or utility companies for postpetition goods and services, (iv) Accrued Professional Compensation Claims (including any "transaction fee"), (v) Claims for professional fees asserted by professionals employed by the lenders (including any "transaction fee"), (vi) Claims in respect of postpetition taxes, (vii) Claims by landlords for stub rent, (viii) Claims for accrued postpetition interest on the ABL Claims, the Term Loan Claims and Mortgage Notes, (ix) Claims for accrued postpetition royalties, (x) Claims for accrued obligations owing to the ABL Lender on account of postpetition payment card obligations, (xi) Claims in respect of gift cards purchased postpetition, (xii) Claims for any severance payment to any employees terminated postpetition, (xiii) Cure Claims, and (xiv) payments in respect of any key employee retention or incentive programs approved by the Court, in each case subject to the budget set forth in the DIP Order and to the exit budget; (b) non-ordinary course Allowed Priority Non-Tax Claims shall not exceed an aggregate of $1.0 million, provided that, for the avoidance of doubt, ordinary course Priority Non-Tax Claims include Claims in respect of prepetition payroll and employee benefits and Claims in respect of gift cards purchased prepetition, in each case as set forth and described in the motions filed by the Debtors on or about the Petition Date and subject to the budget set forth in the DIP Order and to the exit budget; and (c) Allowed Other Secured Claims shall not exceed an aggregate of $3.0 million, in each case unless otherwise agreed to by the Winning Bidder; and

8. all governmental and third party approvals and consents, including Bankruptcy Court approval, necessary in connection with the transactions contemplated by the Plan shall have been obtained, not be subject to unfulfilled conditions, and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent, or otherwise impose materially adverse conditions on such transactions.

C. Waiver of Conditions

The conditions to Confirmation and to Consummation set forth in Article IX may be waived by the Debtors, with the advance written consent of the Winning Bidder, without notice, leave, or order of the Bankruptcy Court or any formal action other than proceeding to confirm or consummate the Plan.

D. Effect of Failure of Conditions

If the Consummation of the Plan does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by the Debtors, any Holders, or any other Entity; (2) prejudice in any manner the rights of the Debtors, any Holders, or any other Entity; or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any Holders, or any other Entity in any respect.

ARTICLE X.
MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

A. Modification and Amendments

Except as otherwise specifically provided in the Plan, the Debtors reserve the right to modify the Plan, subject to the advance written consent of both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders), whether such modification is material or immaterial, and seek Confirmation consistent with the Bankruptcy Code. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 (as well as those restrictions on modifications set forth in the Plan), the Debtors expressly reserve their respective rights to revoke or withdraw, to alter, amend or modify the Plan, subject to the advance written consent of both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders), with respect to such Debtor, one or more times, before or after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan, or remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan, provided, however, that no modification shall change the treatment of any of the DIP Agent, DIP Lenders, ABL Agent, or ABL Lender without such party or parties' consent in its or their sole and absolute discretion.

B. Effect of Confirmation on Modifications

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan since the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or re-solicitation under Bankruptcy Rule 3019.

C. Revocation or Withdrawal of Plan

The Debtors, subject to the advance written consent of both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders), reserve the right to revoke or withdraw the Plan before the Confirmation Date and to file subsequent plans of reorganization. If the Debtors, subject to the advance written consent of both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders), revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of the Claims or Interests or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of such Debtor, any Holder, or any other Entity; or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by such Debtor, any Holder, or any other Entity.

ARTICLE XI.
RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate, or establish the priority, Secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount, or allowance of Claims or Interests;

2. decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals (including Accrued Professional Compensation Claims) authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Cure Claims pursuant to section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying or supplementing, after the Effective Date, pursuant to Article V, the Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory, expired, or terminated;

4. ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;

5. adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

7. enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan, the Plan Supplement, or the Disclosure Statement;

8. enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;

9. resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with Consummation, including interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

10. issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

11. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the releases, injunctions and other provisions contained in Article VIII, and enter such orders as may be necessary or appropriate to implement such releases, injunctions and other provisions;

12. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim for amounts not timely repaid pursuant to Article VI.H.1;

13. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

14. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement or the Confirmation Order;

15. enter an order or Final Decree concluding or closing any of the Chapter 11 Cases;

16. adjudicate any and all disputes arising from or relating to distributions under the Plan;

17. consider any modifications of the Plan, to cure any defect or omission or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;

18. determine requests for the payment of Claims entitled to priority pursuant to section 507 of the Bankruptcy Code;

19. hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;

20. hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Restructuring Transactions, whether they occur before, on or after the Effective Date;

21. hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

22. hear and determine all disputes involving the existence, nature, scope, or enforcement of any exculpations, discharges, injunctions, and releases granted in connection with and under the Plan, including under Article VIII;

23. enforce all orders previously entered by the Bankruptcy Court; and

24. hear any other matter not inconsistent with the Bankruptcy Code.

ARTICLE XII.
MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect

Subject to Article IX.B and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all Holders of Claims or Interests (irrespective of whether their Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

B. Additional Documents

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, which agreements and other documents shall be in form and substance acceptable to both the Term Loan Lenders and the Winning Bidder (if not the Term Loan Lenders). The Debtors or Reorganized Debtors, as applicable, and all Holders receiving distributions pursuant to the Plan and all other parties in interest may, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

C. Statutory Committee and Cessation of Fee and Expense Payment

On the Effective Date, any statutory committee appointed in the Chapter 11 Cases, including the Creditors' Committee, shall dissolve and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases, except for the filing of applications for compensation. The Reorganized Debtors shall no longer be responsible for paying any fees or expenses incurred by any statutory committees after the Effective Date.

D. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court enters the Confirmation Order, and the Confirmation Order shall have no force or effect if the Effective Date does not occur. None of the Filing of the Plan, any statement or provision contained in the Plan or the taking of any action by any Debtor with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders unless and until the Effective Date has occurred.

E. Successors and Assigns

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, Affiliate, officer, director, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

F. Notices

To be effective, all notices, requests and demands to or upon the Debtors shall be in writing (including by facsimile transmission). Unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed to the following:

Pacific Sunwear of California, Inc.
3459 E. Miraloma Ave

Anaheim, California 92806
Attention: Craig E. Gosselin, Esq.
E-mail address: cgosselin@pacificsunwear.com

with copy to:

Klee, Tuchin, Bogdanoff & Stern LLP
1999 Avenue of the Stars, 39th Floor
Los Angeles, California 90067
Attention: Michael L. Tuchin
E-mail addresses: mtuchin@ktbslaw.com

- and -

PS Holdings of Delaware, LLC - Series A
One Embarcadero Center, 39th Floor
San Francisco, California 94111
Attn: Stephen Oetgen
E-mail address: soetgen@goldengatecap.com

and

PS Holdings of Delaware, LLC - Series B
One Embarcadero Center, 39th Floor
San Francisco, California 94111
Attn: Stephen Oetgen, P.C.
E-mail address: soetgen@goldengatecap.com

with copies (which shall not constitute notice) to:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Attn: Joshua A. Sussberg, P.C.
E-mail address: jsussberg@kirkland.com

and

Kirkland & Ellis LLP
555 California Street
San Francisco, California 94104
Attn: Melissa N. Koss
E-mail address: melissa.koss@kirkland.com

After the Effective Date, the Reorganized Debtors may notify Entities that, in order to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must File a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

*G. Entire Agreement*Except as otherwise indicated, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

H. Exhibits

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the website of the Notice, Claims, and Balloting Agent at https://cases.primeclerk.com/pacsun or the Bankruptcy Court's website at www.deb.uscourts.gov. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

I. Severability of Plan Provisions

If, before Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the advance written consent of the Debtors, the Term Loan Lenders, and the Winning Bidder (if not the Term Loan Lenders); and (3) non-severable and mutually dependent.

J. Votes Solicited in Good Faith

Upon entry of the Confirmation Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtors and each of their respective affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors, and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale, and purchase of Securities offered and sold under the Plan and any previous plan and, therefore, no such parties will have any liability for the violation of any applicable law, rule, or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale, or purchase of the Securities offered and sold under the Plan or any previous plan.

K. Closing of Chapter 11 Cases

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order necessary to close the Chapter 11 Cases.

L. Conflicts

In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement or any Order in the Chapter 11 Cases, or any agreement to be executed by any Person pursuant to the Plan, the provisions of the Plan shall control and take precedence; *provided*, *however*, that the Confirmation Order shall control and take precedence in the event of any inconsistency between the Confirmation Order, any provision of the Plan, and any of the foregoing documents.

[Remainder of page intentionally left blank.]

Dated: April 7, 2016
Wilmington, Delaware

PACIFIC SUNWEAR OF CALIFORNIA, INC.

By: */s/ Craig E. Gosselin*
Name: Craig E. Gosselin
Title: Secretary, Senior Vice President, General Counsel, and Human Resources

PACIFIC SUNWEAR STORES CORP.

By: */s/ Craig E. Gosselin*
Name: Craig E. Gosselin
Title: President and Secretary

MIRALOMA BORROWER CORPORATION

By: */s/ Craig E. Gosselin*
Name: Craig E. Gosselin
Title: President and Secretary

COUNSEL:

Michael R. Nestor, Esq. (Bar No. 3526)
Joseph M. Barry, Esq. (Bar No. 4221)
Maris J. Kandestin, Esq. (Bar No. 5294)
Shane M. Reil, Esq. (Bar No. 6195)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
Rodney Square
1000 North King Street
Wilmington, Delaware 19801
Tel: (302) 571-6600
Fax: (302) 571-1253
Email: mnestor@ycst.com
jbarry@ycst.com
mkandestin@ycst.com
sreil@ycst.com

Michael L. Tuchin, Esq.
David M. Guess, Esq.
Jonathan M. Weiss, Esq.
Sasha M. Gurvitz, Esq.
KLEE, TUCHIN, BOGDANOFF & STERN LLP
1999 Avenue of the Stars, 39th Floor
Los Angeles, CA 90067
Tel: (310) 407-4029
Fax: (310) 407-9090
Email: mtuchin@ktbslaw.com
dguess@ktbslaw.com
jweiss@ktbslaw.com
sgurvitz@ktbslaw.com

Proposed Co-Counsel to the Debtors and Debtors in Possession

EXHIBIT B

Financial Projections

[TO BE PROVIDED]

EXHIBIT C

Liquidation Analysis

[TO BE PROVIDED]