Docket #0292 Date Filed: 3/9/2010

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121 Gray Avenue
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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

SANTA BARBARA DIVISION

In re:

THE WALKING COMPANY, a Delaware corporation, d/b/a Alan's Shoes, Footworks, Overland Trading Co., Sole Outdoors, and Martini Shoes; f/k/a TWC Acquisition Corporation; **BIG DOG USA, INC.**, a California corporation, d/b/a Big Dog Sportswear; f/k/a Fortune Dogs, Inc.; and **THE WALKING COMPANY HOLDINGS, INC.**, a Delaware corporation, f/k/a Big Dog Holdings, Inc. and 190th Shelf Corporation,

Debtors.

[X] Affects all Debtors

[ ] Applies only to The Walking Company

[ ] Applies only to Big Dog USA, Inc.

[ ] Applies only to The Walking Company Holdings, Inc.

Case No.: 9:09-bk-15138-RR

[Jointly Administered with Case Nos.: 9:09-bk-15137-RR; 9:09-bk-15139-RR]

NOTICE OF FILING OF REDLINE OF DEBTORS' FIRST AMENDED DISCLOSURE STATEMENT FOR DEBTORS' FIRST AMENDED PLAN (DATED MARCH 9, 2010)

[No Hearing Required]

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TO THE HONORABLE ROBIN L. RIBLET, UNITED STATES BANKRUPTCY JUDGE; THE OFFICE OF THE UNITED STATES TRUSTEE;AND ALL PARTIES IN INTEREST:

PLEASE TAKE NOTICE that the above-captioned debtors hereby submit a redline version of the *First Amended Disclosure Statement for Debtors' First Amended Chapter 11 Plan Dated March 8, 2010* (the "Amended Disclosure Statement) showing the changes between the *Disclosure Statement For Debtors' Original Joint Chapter 11 Plan (Dated February 1, 2010)* filed on February 1, 2010 [Doc. No. 224] and the Amended Disclosure Statement.

DATED: March 9, 2010

/s/ *M. Douglas Flahaut*
M. DOUGLAS FLAHAUT
ARENT FOX LLP
Proposed Attorneys for the Debtors and Debtors in Possession

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Debtors.

[X] Affects all Debtors

[ ] Applies only to The Walking Company

[ ] Applies only to Big Dog USA, Inc.

[ ] Applies only to The Walking Company Holdings, Inc.

Case No. 09-15137, 09-15138, and 09-15139

Jointly Administered under Case No. 09-15138

[Chapter 11]

FIRST AMENDED DISCLOSURE STATEMENT FOR DEBTORS' ~~ORIGINAL~~FIRST AMENDED JOINT CHAPTER 11 PLAN (DATED FEBRUARY 1, 2010)

Disclosure Statement Hearing

DATE: March ~~_____,~~12, 2010

TIME: ~~TBD~~1:00 p.m.

PLACE: 1415 State Street
Santa Barbara, CA 93101

Confirmation Hearing

DATE: April _____, 2010

TIME: TBD

PLACE: 1415 State Street
Santa Barbara, CA 93101

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I.

INTRODUCTION

The Walking Company, Big Dog USA, Inc., and The Walking Company Holdings, Inc. are the debtors in these Chapter 11 bankruptcy cases. On December 7, 2009, the Debtors commenced bankruptcy cases by filing voluntary Chapter 11 petitions under the Bankruptcy Code. Since the Petition Date, as authorized under Bankruptcy Code Sections 1107 and 1108, the Debtors have operated their business and managed their affairs as debtors in possession. These Reorganization Cases are being jointly administered before the Bankruptcy Court.

Chapter 11 allows the Debtors, and under some circumstances, creditors and others parties in interest, to propose a plan of reorganization. The Plan may provide for the Debtors to reorganize by continuing to operate, to liquidate by selling assets of the estates, or a combination of both. The Debtors are the parties proposing the Plan sent to you in the same envelope as this document. THE DOCUMENT YOU ARE READING IS THE DISCLOSURE STATEMENT FOR THE DEBTORS' PLAN. All capitalized terms not defined in this Disclosure Statement shall have the meaning provided in the Plan.

This is a joint reorganizing plan among all of the Debtors. In other words, the Debtors (also referred to as the "Proponents") seek to accomplish payments under the Plan primarily by: (a) reducing operating expenses by renegotiating its real estate leases; (b) reducing the amount due under its Notes and obtaining certain other economic concessions from the Noteholders and certain other creditors; (c) increasing its capital and liquidity through a $10 million Capital Investment and a $30 million Exit Financing; and (d) cash from operations. The $10 million Capital Investment will be made pursuant to a Investor Commitment Letter between the Investors and the Debtors. Of this $10 million ~~investment~~Capital Investment, approximately $~~7.2~~8.1 million will be used to pay for the Debtors' reorganization costs, including Allowed Administrative and Priority Claim and Allowed General Unsecured Claims to be paid within 30 days of the Plan's Effective Date. Any remaining balance will be retained as working capital for the reorganized

company. The Effective Date of the proposed Plan is the first Business Day on which the conditions specified in Section IV.N. of the Plan are satisfied, but that is in no event later than the Closing Deadline under the WFRF Commitment Letter.

As discussed in detail in this Disclosure Statement, the Plan proposes to satisfy all of the prepetition obligations of the Debtors, with the exception only of certain voluntary discounts agreed to by the Noteholders and the possible impairment of Holdings' Existing Common Stock pursuant to terms of the Investor Commitment Letter. The Debtors believe that the Plan provides the greatest and earliest possible recoveries to creditors and stockholders, that confirmation of the Plan is in the best interest of all parties in interest, and that any alternative would result in further delay, uncertainty, and expense to the Estates. The Proponents therefore recommend that all eligible creditors and stockholders entitled to vote on the Plan cast their ballots to accept the Plan.

A. Purpose of This Document

This Disclosure Statement summarizes what is in the Plan, and tells you certain information relating to the Plan and the process the Court follows in determining whether or not to confirm the Plan.

READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO KNOW ABOUT:

(1) WHO CAN VOTE OR OBJECT;

(2) WHAT THE TREATMENT OF YOUR CLAIM IS (*I.E.*, WHAT YOUR CLAIM WILL RECEIVE IF THE PLAN IS CONFIRMED), AND HOW THIS TREATMENT COMPARES TO WHAT YOUR CLAIM WOULD RECEIVE IN LIQUIDATION;

(3) THE HISTORY OF THE DEBTORS AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY;

(4) WHAT THINGS THE COURT WILL LOOK AT TO DECIDE WHETHER OR NOT TO CONFIRM THE PLAN;

(5) WHAT IS THE EFFECT OF CONFIRMATION; AND

(6) WHETHER THIS PLAN IS FEASIBLE.

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own lawyer to obtain more specific advice on how this Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. If there are any inconsistencies between the Plan and the Disclosure Statement, the Plan provisions will govern.

The Bankruptcy Code requires a Disclosure Statement to contain "adequate information" concerning the Plan. The Bankruptcy Court ("Court") has approved this document as an adequate Disclosure Statement, containing enough information to enable parties affected by the Plan to make an informed judgment about the Plan. Any party can now solicit votes for or against the Plan.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. IN OTHER WORDS, THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE. HOWEVER, IF THE COURT LATER CONFIRMS THE PLAN, THEN THE PLAN WILL BE BINDING ON THE DEBTORS AND ON ALL CREDITORS AND INTEREST HOLDERS IN THESE REORGANIZATION CASES.

1. Time and Place of the Confirmation Hearing

The hearing where the Court will determine whether or not to confirm the Plan will take place on _____, 2010, at _____, at the United States Bankruptcy Court, 1415 State Street, Santa Barbara, California 93101.

2. Deadline For Voting For or Against the Plan

If you are entitled to vote, it is in your best interest to timely vote on the enclosed ballot and return the ballot in the enclosed envelope to the Debtors' Claims Agent, Kurtzman Carson Consultants LLC. Your ballot must be received by the Claims Agent by _____, 2010, at 4:00 p.m. (Pacific Time) or it will not be counted.

3. Deadline For Objecting to the Confirmation of the Plan

Objections to the confirmation of the Plan must be filed with the Court and served upon counsel for the Debtors, Arent Fox LLP, Attn: Douglas Flahaut, Esq. at 555 West Fifth Street, 48th Floor, Los Angeles, CA 90013 by _____, 2010, at 4:00 p.m. (Pacific Time).

4. Identity of Person to Contact for More Information Regarding the Plan

Any interested party desiring further information about the Plan should contact Mette H. Kurth, Esq. or Douglas Flahaut, Esq. at Arent Fox LLP, 555 West Fifth Street, 48th Floor, Los Angeles, CA 90013, telephone (213) 629-7400, and/or email kurth.mette@arentfox.com or flahaut.douglas@arentfox.com.

C. Disclaimer

Please carefully read this document, the Plan, and the attached Exhibits. These documents explain who may object to confirmation of the Plan, who is entitled to vote to accept or reject the Plan, and the treatment that creditors and stockholders can expect to receive if the Court confirms the Plan. **The statements and information contained in the Plan and Disclosure Statement, however, do not constitute financial or legal advice. You should therefore consult your own advisors if you have questions about the impact of the Plan on your Claims or Interests.**

The financial data relied upon in formulating the Plan was prepared by the Debtors from information in their books and records and financial statements, as well as financial projections and appraisals prepared by the Debtors' financial advisors, The Clear Thinking Group LLC, and is the sole responsibility of the Debtors. The information contained in this Disclosure Statement is provided by Andrew D. Feshbach, the Chief Executive Officer and President of the Debtors, Anthony J. Wall, the Executive Vice President and General Counsel of the Debtors, and Roberta J. Morris, the Chief Financial Officer of the Debtors. The Plan Proponents represent that everything stated in the Disclosure Statement is true to the Proponents' best knowledge. The Debtors' professionals and financial advisors have not independently verified this information.

The statements and information that concern the Debtors and that are set forth in this document constitute the only statements and information that this Court has approved for the purpose of soliciting votes to accept or reject the Plan. Therefore, no statements or information that are inconsistent with anything contained in this Plan and Disclosure Statement are authorized unless otherwise ordered by this Court. The Court has not yet determined whether or not the Plan is confirmable and makes no recommendation as to whether or not you should support or oppose the Plan.

You may not rely on the Plan and Disclosure Statement for any purpose other than to determine whether to vote to accept or reject the Plan. Nothing contained in the Plan or Disclosure Statement constitutes an admission of any fact or liability by any party or may be deemed to constitute evidence of the tax or other legal effects that the Debtors' reorganization may have on entities holding Claims or Interests.

Unless another time is expressly specified in the Disclosure Statement, all statements contained in this document are made as of February 1, 2010. Under no circumstances will the delivery of this Disclosure Statement or the exchange of any rights made in connection with the Plan create an implication or representation that there has been no subsequent change in the information included in this document. The Debtors assume no duty to update or supplement any of the disclosure information contained in this document, and they presently do not intend to undertake any such updates or supplements.

CAUTIONARY STATEMENT: Some statements in this document may constitute forward-looking statements within the meaning of the Securities Act and the Exchange Act, to the extent applicable. Such statements are based upon information available when the statements were made and are subject to risks and uncertainties that could cause actual results materially to differ from those expressed in the statements. Neither the SEC nor any state securities commission has approved or disapproved this document.

II.

BACKGROUND

A. Description and History of the Debtors' Business

The Debtors are The Walking Company Holdings, Inc. ("Holdings"), a Delaware corporation, and its two wholly owned subsidiaries, The Walking Company ("TWC"), a Delaware corporation, and Big Dog USA, Inc. ("Big Dog"), a California corporation, d/b/a "Big Dog Sportswear." Headquartered in Santa Barbara, California, the Debtors consist of two distinct retail operations. The Debtors' operations are largely focused on TWC, which is a leading specialty retailer of authentic comfort footwear, operating 207 stores in premium malls across the nation. TWC generated approximately 93% of the Debtors' sales in 2009. Big Dog is a retailer of a lifestyle collection of popular-priced T-shirts, casual sportswear, and accessories featuring the Big Dogs trademark. Together, TWC and Big Dog employ over 1,600 individuals across the country.

1. Walking Company Holdings, Inc.

Holdings is a holding company trading on the pink sheets under the symbol "WALK.PK" Holdings' assets consist primarily of the stock of its two operating subsidiaries (TWC and Big Dog) and the trademarks, copyrights and other intellectual property used in the operation of TWC and Big Dog, which Holdings licenses to such subsidiaries. The Debtors use a variety of trademarks that it owns, including the U.S. registered trademarks THE WALKING COMPANY®, BIG DOGS®, BIG DOG SPORTSWEAR®, and a dog logo.

2. Big Dog USA, Inc., d/b/a Big Dog Sportswear

Big Dog products have been sold since 1983, but until Big Dog and its business were acquired by Holdings in 1992, its operations were limited. Big Dog's product line originally concentrated on its branded collection of T-shirts, shorts, and other casual sportswear featuring graphic designs focused on the BIG DOGS® trademark and a dog character known as "Big Dog." Big Dog develops, markets, and retails this clothing line and related accessories and gifts for men, women, and children. In the years following its

acquisition, Big Dog leveraged the Big Dog brand through expansion of its product line and growth of its retail chain in outlet malls throughout the United States, as well through a catalog and Internet business and certain other venues. At its height, Big Dog revenues exceeded $100 million annually, and it operated more than 200 stores.

Big Dog and its management team have a long history as an active part of the Santa Barbara business community. For 14 consecutive years, Big Dog organized the annual Big Dog Parade and Canine Festival, which attracted dog lovers and families from across the country to Santa Barbara to compete in the largest dog parade in the country. All proceeds from the event went directly to the Big Dog Foundation, a 501(c) non-profit organization dedicated to bettering the lives of dogs, children, and dogs that help people. Through its existence, the Big Dog Foundation has made significant donations of remainder and difficult-to-sell garments to local and national charities in need. Beginning in 2007, Big Dog's charitable activities have been largely suspended, and the Big Dog Parade scheduled for 2009 was cancelled. However, members of Big Dog's management team continue to participate as members of the board of directors of the Big Dog Foundation.

After years of early growth, Big Dog reached a level of maturity in its number of stores and breadth of product. In 2007 and 2008, Big Dog began to incur significant losses as customer traffic and sales in its outlet-based stores declined. After attempts to sell Big Dog in the fall 2007 and early 2008 were unsuccessful, in mid-2008 Big Dog implemented a successful out-of-court workout of Big Dog, though which Big Dog was able to stem further losses by reducing the chain from over 140 stores to the two stores that remain at present. Big Dog's remaining operations are limited, consisting mainly of Internet sales. The Debtors are considering a business plan to ~~reopen~~revitalize the BIG DOGS brand, which may include, among other things, reopening certain Big Dog stores on a limited basis.

Although the shutdown of the Big Dog retail chain stemmed further operating losses, it imposed on the Debtors a workout cost of over $3 million, reduced overall

revenue, created illiquidity, and burdened TWC with a greater share of the Debtors' overhead costs.

3. The Walking Company

Founded in 1991, TWC is a retailer of high-quality, technically designed comfort footwear and accessories for men and women featuring leading comfort brands from around the world, including ECCO®, Dansko®, UGG®, MBT®, and Aetrex®. When TWC was acquired by Holdings in 2004, it was comprised of 72 retail stores located primarily in regional malls.

TWC seeks out and offers to its customers shoe brands that are of high quality, integrate comfort features, and are not widely distributed. TWC features a number of European and other foreign comfort shoe brands not widely found in other US shoe retailers. TWC stores offer a high level of customer service through a trained, knowledgeable sales staff that informs customers of the health and comfort benefits and the technical features of TWC's footwear. TWC's commitment to knowledgeable customer service enhances its ability to generate repeat business and attract new customers.

Although marketing focus is on baby boomers and working professionals, TWC's customers include men and women of all ages. As baby boomers age, there is an increasing focus on comfort footwear for both work and play. In addition, many of TWC's brands are popular with working professionals such as teachers, medical staff, foodservice personnel and others who spend long days on their feet. The majority of TWC's footwear products range from between $80 and $200. TWC utilizes its preeminence in the comfort market to seek strong vendor relationships and widespread customer recognition.

TWC stores are typically located in leading regional malls in prosperous urban areas where TWC believes demographics are favorable. In making site selections, TWC also considers a variety of other factors, including proximity to large population centers, area income, the prestige and potential customer-draw of the other tenants in the center or

area, rent and operating costs, store location and visibility within the center, and the accessibility and visibility of the center from nearby thoroughfares. TWC store size generally ranges between 1,400-1,700 square feet, and some industry reports indicate that TWC stores generate twice the sales-per-square-foot of other comfort shoe retailers.

B. The Expansion of The Walking Company's Retail Operation

After acquiring TWC the year before, in 2005 the Debtors tested the expansion of TWC's retail stores by opening 12 new stores featuring an updated look and appeal. This new look was a key part of TWC's implementation of an effective, coherent marketing image and strategy. This strategy has been implemented through a newly-developed store design and supporting marketing endeavors. Through new store development and refitting old stores, the large majority of the chain now has the new design. TWC further continues its brand awareness through consistent store layout and image, collateral materials (in-store posters, etc.), and development of brand-identifying trademarks and slogans.

Encouraged by strong sales results and profitability in its test stores, TWC entered a period of strategic expansion of its store chain, opening approximately 140 new stores and more than doubling in size from 2006 though 2008 by leasing and building-out new stores as well as by acquiring existing retail footwear stores for conversion into TWC stores. In September 2005, TWC acquired the assets of Footworks, a division of the privately held shoe retailer Bianca of Nevada, Inc. In January 2006, it acquired substantially all the assets of Steve's Shoes, Inc., one of the largest independent comfort shoe retailers in the country, through a bankruptcy auction. And in January 2008, it acquired substantially all assets of Natural Comfort Footwear, Inc., one of the largest independent comfort shoe retailers in Florida. All of these stores were converted to TWC stores. TWC has also developed an Internet presence to generate sales and promote its store-based business.

TWC's cost to open a store in 2007, including leasehold improvements and furniture and fixtures, was approximately $293,000 per store. The average per store initial

inventory for the new 2007 stores was approximately $201,000 and pre-opening expenses averaged approximately $18,000 per store. TWC financed the capital costs of its expansion from its revenues and also through the issuance in 2007 of $18.5 million of the *8.375% Convertible Notes due 2015*.

During this period of expansion, the Debtors built up their infrastructure and overhead to accommodate the expanded TWC chain. Today, TWC is the nation's leading specialty retailer of authentic comfort footwear, operating 207 stores in premium malls across the nation.

C. Events Leading to Chapter 11 Filing

From 2005 through 2008, as the Debtors expanded their TWC operations across the country, they also experienced significant growth in TWC product sales. TWC's total net annual sales increased from $179.1 million in 2005, to $218.6 million in 2006, to $233.3 million in 2007, and to $241.5 million in 2008. TWC's gross profits for this period increased from $98.8 million in 2005, to $116.9 million in 2006, to $122.4 million in 2007, and decreased to $117.5 million in 2008.

During this period of expansion, the Debtors agreed to the high rent levels then required by landlords based on industry-wide customer traffic and sale assumptions. However, these assumptions failed to materialize when the economy in general, and the retail business in particular, went into serious decline in 2008 and 2009. The Debtors' total net annual sales for 2008 of approximately $242 million—while still representing an increase over 2007 sales—were lower than had been projected. When combined with significant expansion costs related to the growth of TWC, as well as the one-time costs associated with the downsizing of Big Dog, the Debtors generated a loss from operations of $5.3 million in 2008.

Mall traffic and retail sales continued to be weak throughout 2009. As the retail and real estate markets continued to decline, the vast majority of the Debtors' leases became burdened with substantially over-market rents. And for the first time during this

period, the Debtors' gross sales decreased. In 2009, the Debtors' gross sales were $193 million, and the Debtors generated a loss from operations of $8.1 million.

Meanwhile, as TWC began incurring losses in 2008 and throughout 2009, its borrowing base diminished and the Debtors' availability under its credit line with Wells Fargo Retail Finance (or "WFRF") was reduced accordingly. With its ability to weather the continuing economic recession and the depressed retail environment impaired, the Debtors sought to strengthen their financial capital position. In early 2009, the Debtors made inquiries to various financial firms about a possible capital ~~Investment~~investment. Those efforts were unsuccessful largely due to concerns about the Debtors lack of operating profits and the locked-in high rents in their lease portfolio. The Debtors also made inquiries within the retail industry in early 2009 regarding potential interest in the purchase of the Debtors. But potential acquirers expressed similar concerns about the Debtors' lack of operating profits and over-market lease rents, especially with respect to TWC's newer stores.

While pursuing these options during early 2009, the Debtors also proceeded to develop and sought to implement a turn-around plan in an effort to strengthen their financial capital position. Some of the key elements of the turn-around plan, which has focused on cost cutting, financial restructuring, and efforts to renegotiate its lease obligations, include the following:

a) Holdings voluntarily delisted itself from NASDAQ and de-registered with the SEC in order to relieve itself of the costs of complying with SEC reporting, Sarbanes-Oxley, and other requirements of being a publicly registered and traded company;

b) Employee compensation was reduced and over 500 employees (largely at Big Dog) were terminated;

c) The Debtors implemented year-over-year inventory reductions of nearly 35% in order to generate additional cash and liquidity;

d) The Debtors obtained from WFRF, their secured lender, an increase in their available line of credit as a result of personal guaranties provided to WFRF by Andrew D. Feshbach and Fred Kayne;[1]

e) The Debtors negotiated certain concessions from their Noteholders, who among other things agreed to allow quarterly cash interest payments to be paid through PIK Interest for up to two years and who agreed to extend the Notes' maturity dates in exchange for a subordinated security interest in certain assets of Holdings and its subsidiaries; and

f) The Debtors actively sought from their landlords reductions of their now above-market rents for the remainder of 2009 so that their store operating expenses could be brought in line with the now reduced customer traffic and retail sales being experienced at malls across the country.

While the Debtors were successful in implementing all other elements of their turn-around plan and achieving significant cost reductions, their landlords largely refused to provide meaningful rent reductions. After originally proposing rent reductions to the landlords in early spring of 2009, the Debtors spent the entire balance of 2009 through the Petition Date persistently seeking much needed rent reductions, but without meaningful success. The Debtors' landlords, while acknowledging that many of the Debtors rents are above-market and/or above the percentage of sales at which they were originally set, largely refused the requested reductions.

Accordingly, it became apparent that the Debtors could not consensually obtain the rent concessions needed to strengthen its financial capital position sufficiently to weather the continuing economic recession. With the capital markets and buyout environment remaining dormant, the Debtors concluded that it was necessary to pursue a "right sizing" strategy that would permit them to adjust their lease portfolio, reorganize around their

[1] In consideration of providing his personal guaranty of the WFRF overadvance facility to Debtors, described in Section II.C. above, Mr. Kayne was paid a fee of $43,616.44.

profitable stores, and eliminate those stores whose continued operation would prevent a successful reorganization.

D. The Debtors' Progress in Pre-Negotiating a Plan of Reorganization

As noted above, TWC more than doubled in size by adding 140 stores to its portfolio from 2006 through 2008, which is now widely recognized as having been the height of the commercial real estate market. Today, the large majority of TWC's leases have over-market rents. During the months preceding the Petition Date, the Debtors developed a turnaround plan through which they would divest their unprofitable and marginal leases immediately after commencing these Reorganization Cases, and retain those stores that are profitable and contributing significantly to the Debtors' revenue, as well as its Internet sale portal. The Debtors commenced these Reorganization Cases in order to implement that strategy, which would have allowed the Debtors to emerge from chapter 11 with profitable operations and generating $140 million in annual revenue.

Based on this reorganization plan, the Debtors secured debtor-in-possession financing from WFRF. In addition, WFRF and the Debtors began negotiating the terms of the Exit Financing for the Debtors, and on December 4, 2009, WFRF provided the Debtors with an initial letter of interest regarding an exit financing arrangement. In addition, after substantial negotiations, the Debtors obtained a commitment in principle with respect to the key terms of a chapter 11 plan under which, among other things, an Investor group lead by Richard Kayne of Kayne Anderson Capital Advisors, LP (and other Investors whom he may have participate with him) would contribute $10 million to recapitalize the Debtors pursuant to a confirmed plan of reorganization. Finally, the Debtors initiated discussions with certain key vendors, who began forming an *ad hoc* trade committee during the weeks prior to the Petition Date. Discussions with these vendors were very constructive, resulting in commitments from certain vendors to continue to ship product to the Debtors during the course of these Reorganization Cases.

With these pre-negotiated commitments and financings in place, the Debtors commenced these Reorganization Cases on December 7, 2009, in order to implement their

"right-sizing" strategy and reorganize their business. As discussed in greater detail below, this effort has been significantly more successful than originally anticipated, resulting in the filing of this Chapter 11 Plan, which proposes to satisfy all of the prepetition obligations of the Debtors, with the exception only of certain voluntary discounts agreed to by the Noteholders and the possible impairment of Holdings' Existing Common Stock pursuant to the terms of the Investor Commitment Letter.

E. Principals/Affiliates of Debtors' Business

Both TWC and Big Dog are affiliates of Holdings, and Holdings is an affiliate of each of those entitles, on account of Holdings' ownership of 100% of the security interests in TWC and Big Dog.

Fred Kayne~~, who~~ is ~~also~~ the Chairman of the Board of Directors of Holdings~~,~~ and controls Holdings through his living trust's ownership of approximately 56% of Holdings' outstanding stock~~. Inasmuch as Fred Kayne directly or indirectly owns, controls, or holds with power to vote, 20% of more of the outstanding voting securities of Holdings, Fred Kayne is also~~, and as a result is an affiliate of the Debtors. ~~Moreover, any of Fred Kayne's relatives are, on that account, insiders of the Debtors.~~ Richard Kayne is Fred Kayne's brother, ~~Richard Kayne, owns only 9% of Holdings' outstanding stock, and therefore Ric Kayne~~and as a result is considered to be an insider of the Debtors.

F. Management of the Debtors Before and After the Bankruptcy

The Debtors' key management prior to the filing of the petition remain in charge of the Debtors as of the filing of this Disclosure Statement, and Debtors intend to emerge from bankruptcy with the same key management.

1. The Debtors' Board of Directors

The Board of Directors of each of the Debtors before, during, and after bankruptcy will be comprised of: (a) Fred Kayne, who is Chairman and also the majority stockholder of Holdings; (b) Andrew D. Feshbach, who is also the Debtors' Chief Executive Officer;

and (c) David Walsh, ~~who is an independent director and~~ does not occupy a management position~~.~~ with Debtors.[2]

2. The Debtors' Management Team

The following is information regarding the Debtors' officers and members of the management team that was in place prior to the filing of the petition, has continued to manage the Debtors during these Reorganization Cases, and is expected to be employed by Debtors as of the Effective Date:

a. Andrew D. Feshbach, Chief Executive Officer

Mr. Feshbach co-founded Holdings in May 1992, and he has served as the President and Chief Executive Officer of Big Dog and Holdings and a member of their respective Boards of Directors since that time. He is also the Chief Executive Officer, President, and a member of the Board of Directors of TWC, which Holdings acquired in 2004 through a bankruptcy auction.

Prior to 1992, Mr. Feshbach served as a Vice President of Fortune Financial, a private merchant banking firm owned by Holdings' Chairman and majority stockholder, Fred Kayne. Prior to that, he was a partner in Maiden Lane, a merchant bank, and a Vice President in the Mergers and Acquisitions Group of Bear Stearns & Co. Mr. Feshbach holds an M.B.A. degree from Harvard Business School and a B.A. degree in Economics (Phi Beta Kappa) from the University of California at Berkeley.

b. Roberta J. Morris, Chief Financial Officer

Ms. Morris joined Holdings in 1993 and serves as the Debtors' Chief Financial Officer. Ms. Morris is a certified public accountant. Prior to joining Holdings, Ms. Morris was employed as a Senior Audit Manager with Deloitte & Touche LLP. Prior to 1993, Ms. Morris served as a Senior Audit Manager at Deloitte & Touche LLP, an international public accounting firm. Prior to that, she was with Kenneth Leventhal & Company, a real

[2] As of January 27, 2010, Mr. Walsh accepted a position as Senior Managing Director and Portfolio Manager with Kayne Anderson Capital Advisors, L.P., which is controlled by Richard Kayne

estate boutique accounting firm. Ms. Morris holds an accounting degree from California State University Northridge and is a Certified Public Accountant.

c. Anthony J. Wall, Executive Vice President and General Counsel

Mr. Wall joined Holdings in 1994 and serves as their Executive Vice President—Business Affairs, General Counsel and Secretary. Prior to joining Holdings, Mr. Wall was a partner in the corporate department of the international law firm of Gibson, Dunn & Crutcher. Mr. Wall is an Order of the Coif graduate of USC Law School and is admitted to the California bar. Mr. Wall also provides occasional legal and business services to certain other private companies controlled by Fred Kayne, the Chairman and controlling stockholder.

d. Lee M. Cox, Senior Vice President-Retail

Mr. Cox joined the Debtors in 2000 and serves as the Senior Vice President – Retail of TWC. He has been a retail executive for over 20 years with extensive experience in operations, marketing and real estate. Prior to joining the Debtors, Mr. Cox was Director of Retail Stores for Adidas America for seven years. Before that he served as an account executive for Sonoma Real Estate. Mr. Cox holds a business degree from the University of Colorado.

e. Michael Grenley, Senior Vice President-Merchandising

Mr. Grenley joined the Debtors in 1994 and serves as TWC's Senior Vice President – Merchandising. He has been a retail executive for over 29 years with extensive buying experience in shoes, apparel and accessories. Prior to joining the Debtors, Mr. Grenley was Vice President of Merchandise at Macy's California. Prior to joining the Debtors, Mr. Grenley was the Vice President and Divisional Merchandise Manager at Macy's West / Bullocks. Mr. Grenley holds an economics degree from The University of California at Davis.

G. Current and Historical Financial Conditions

1. The Debtors' Assets

Based on Holdings' books and records, as of the Petition Date, Holdings' unaudited, balance sheet assets totaled approximately $80.9 million. These assets consisted primarily of 100% of the stock of TWC, with a book value of $78.6 million, and 100% of the stock of Big Dog, with a book value of $2.1 million, $200,000 in miscellaneous assets, and intellectual property assets with an unknown value.

Based on TWC's books and records as set forth in the Debtors' Schedules, as of the Petition Date, TWC's unaudited, balance sheet assets totaled approximately $79.1 million. Of this amount, the Debtors held, on a book value basis, approximately $40.3 million in net inventories; fixed assets (including property and equipment) of $33.5 million, net of depreciation; $3.6 million in accounts receivable; $1.4 million in cash; other assets totaling $300,000; and intellectual property and customer lists with an unknown value.[~~2~~3]

Based on Big Dogs' books and records as set forth in the Debtors' schedules, as of the Petition Date, Big Dog's unaudited, balance sheet assets totaled approximately $10.9 million. These assets consisted primarily of an $8.8 million intercompany balance due from TWC, $2.0 million in inventory, $200,000 in cash and miscellaneous assets, and intellectual property and customer lists with an unknown value.[~~3~~4]

The identity and fair market value of each Estate's assets are listed in Exhibit A so that you can assess what assets are available to satisfy Claims and to evaluate the overall value of the Estates.

2. The Debtors' Liabilities

Based on Holdings' books and records, as of the Petition Date, Holdings' unaudited, balance sheet liabilities totaled approximately $50.5 million. These liabilities included approximately $20.2 million in principal and accrued PIK Interest owing under

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[~~2~~3] In addition, the Debtors' books and records included $1.5 million of unscheduled assets relating to such intangibles as deferred taxes and prepaid assets.

[~~3~~4] In addition, the Debtors' books and records included $11.8 million of unscheduled assets relating to such intangibles as deferred taxes and prepaid assets.

the Notes; $25.7 million on account of Holdings' guaranty of obligations under the Prepetition Credit Facility owing to WFRF; $1.7 million on account of ~~Holding~~Holdings'~~s~~ guaranty of the Atchinson Note; $1.2 million owing under a capital lease; approximately $1.0 million on account of the Employee Stock Option Notes; $500,000 in priority wage claims; and $200,000 in unsecured landlord claims.

Based on TWC's books and records, as set forth in the Debtors' Schedules, as of the Petition Date, TWC's unaudited, balance-sheet liabilities totaled approximately $68.5 million. This amount included approximately $20.2 million on account of TWC's guaranty of the Notes; $25.7 million outstanding as a co-borrower with Big Dog under the Prepetition Credit Facility owing to WFRF; an intercompany balance of $8.8 million due to Big Dog; priority unsecured claims consisting of $1.426 million in employee wages and benefits, $900,000 in outstanding gift certificates and customer refund checks, and $1 million in sales and personal property taxes; and general unsecured claims comprised of $1.7 million outstanding under the Atchinson Note, $~~1.0 million on account of its guaranty of the Employee Stock Option Notes, $~~8.3 million in trade claims (of which approximately $3.5 million may be entitled to administrative priority under Bankruptcy Code section 503(b)(9)), and $400,000 in general liability claims.[~~4~~5]

Based on Big Dog's books and records, as set forth in its Schedules, as of the Petition Date, Big Dog's unaudited, balance sheet liabilities totaled approximately $46.6 million. These liabilities included approximately $20.2 million on account of Big Dog's guaranty of Holdings' obligations under the Notes; $25.7 million outstanding as a co-borrower with TWC under the Prepetition Credit Facility owing to WFRF; priority unsecured claims consisting of $42,000 in employee wages and benefits, $24,000 in outstanding gift certificates, and $65,000 in sales and personal property taxes; and general

[~~4~~5] In addition, the Debtors' books and records included $14.7 million of unscheduled liabilities relating to deferred rent, tenant improvement allowances, capitalized lease liabilities, and sales returns and other reserves.

unsecured claims comprised of $177,000 in trade claims and $349,000 in general liability claims.[~~5~~6]

a. The Prepetition Facility and DIP Facility

WFRF, as successor in interest to Wells Fargo Retail Finance II, LLC, a Delaware limited liability company, as arranger and administrative agent for the lenders, and TWC and Big Dog are parties to a *First Amended, Restated, and Consolidated Loan and Security Agreement, dated as of July 7, 2005* (as amended by nine amendments thereto, the "Prepetition Credit Facility"), and Holdings is a guarantor under this facility. The Prepetition Credit Facility, which has been rolled into the DIP Facility, provides for a total commitment of $60 million, with the ability for the Debtors to issue documentary and standby letters of credit of up to $8 million. The Debtors' ability to borrow under the facility is determined using an availability formula based on eligible assets, and pursuant to this formula, the Debtors had approximately $100,000 in availability under the DIP Facility on December 4, 2009.

As part of the earlier attempt to turnaround the Debtors' operations outside of bankruptcy, in March 2009 Fred Kayne and Andrew D. Feshbach provided personal guaranties of the Debtors' obligations to WFRF in order to obtain an over-advance facility. Such over-advance ~~facilities were~~facility was paid in full by the Debtors in October 2009, and the guaranties were then withdrawn.

As of the Petition Date, the approximate loan balance under the Prepetition Credit Facility was $25.7 million and there were no outstanding letters of credit. During the course of these Reorganization Cases, pursuant to the DIP Order, WFRF's prepetition secured claim has been repaid in full and WFRF has made, and shall continue to make through the Effective Date, postpetition debtor in possession financing loans. (The total amount outstanding under the DIP Facility as of December 31, 2009 was $7.1 million, which amount may fluctuate based on the Debtors' usage of the DIP Facility.) The

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[~~5~~6] In addition, the Debtors' books and records included $400,000 of unscheduled liabilities for sales returns and other reserves.

interest rate under the Prepetition Credit Facility ranges from the bank's base rate plus a margin of 0.5% or a LIBOR loan rate plus a margin ranging between 1.75% and 2.25% depending upon the average excess availability under the Prepetition Credit Facility. As of the Petition Date, the interest rate for the outstanding base rate loans was 3.75% and the interest rate for the outstanding LIBOR rate loans was between 2.489% and 2.492%.

The Prepetition Credit Facility is collateralized by substantially all of the Debtors' assets and requires daily, weekly, and monthly financial reporting as well as compliance with financial, affirmative, and negative covenants. Based on the value of WFRF's collateral, which includes approximately $39.6 million in net inventories, the outstanding indebtedness owing under the Prepetition Credit Facility and the DIP Facility is more than fully secured.

b. 8.375% Convertible Notes due 2015

On April 3, 2007, Holdings entered into a *Convertible Note Purchase Agreement* with certain purchasers, including some of the Debtors' officers, pursuant to which Holdings issued and sold $18.5 million of Notes, interest payable quarterly. ~~TWC and Big Dog have guaranteed Holding's obligations under the Notes.~~ The net proceeds of the Notes, after debt issuance costs, were used to reduce the outstanding balance of Debtors' Prepetition Credit Facility, and thereby to support TWC's store expansion throughout 2007 and 2008.

Among other features ~~of~~, the Notes, ~~they~~ are convertible into fully paid and non-assessable shares of Holdings' Common Stock to an aggregate of up to 1,027,777 shares at any time after the issuance date, at an initial conversion price of $18.00 per share. ~~The Noteholders are:~~

~~Noteholder~~	~~Insider (Y/N)~~	~~Principal Amount~~	~~PIK Interest~~
~~Blackwell Partners~~	~~N~~	~~$1,325,000.00~~	~~$93,202.22~~
~~Cotsen Family Foundation~~	~~N~~	~~$5,000,000.00~~	~~$351,706.50~~
~~David Wolf~~	~~N~~	~~$500,000.00~~	~~$35,170.65~~

~~Doug Nilsen~~	~~N~~	~~$200,000.00~~	~~$14,068.26~~
~~Gary Liberthal Trustee~~	~~N~~	~~$150,000.00~~	~~$10,551.20~~
~~Joel Reims and Kathleen Ann Reims, TTEES~~	~~N~~	~~$250,000.00~~	~~$17,585.33~~
~~Kayne Anderson Capital Income Partners~~	~~N~~	~~$3,900,000.00~~	~~$274,331.07~~
~~RBC Dain Rauscher~~	~~N~~	~~$500,000.00~~	~~$35,170.65~~
~~Robert P. Abate Trustee~~	~~N~~	~~$200,000.00~~	~~$14,068.26~~
~~Kayne Foundation~~	~~N~~	~~$2,500,000.00~~	~~$175,853.25~~
~~Anthony J. Wall~~	~~Y~~	~~$500,000.00~~	~~$35,170.65~~
~~Lee Cox~~	~~Y~~	~~$360,000.00~~	~~$25,322.87~~
~~Michael Grenley~~	~~Y~~	~~$900,000.00~~	~~$63,307.17~~
~~Richard Kayne, Trustee Living Trust~~	~~Y~~	~~$675,000.00~~	~~$47,480.38~~
~~Robert Schnell IRA~~	~~Y~~	~~$1,000,000.00~~	~~$1,096,733.28~~
~~Roberta Morris~~	~~Y~~	~~$360,000.00~~	~~$25,322.87~~
~~Susan Minier~~	~~Y~~	~~$180,000.00~~	~~$12,661.43~~

If the Notes are not converted before their maturity, ~~the Notes provide that~~ they are to be redeemed by the Debtors on the maturity date at a redemption price equal to 100% of the principal amount of the Notes then outstanding, plus any accrued and unpaid interest. ~~The net proceeds of the Notes, after debt issuance costs, were used to reduce the outstanding balance of Debtors' Prepetition Credit Facility, and thereby to support TWC's store expansion throughout 2006 and 2007. The Notes shall be subject to the terms of~~

Payment on the Notes is subject to a subordination agreement in favor of WFRF ~~on substantially similar terms as the subordination agreement provided by the Noteholders to WFRF prepetition~~.

The Noteholders are:

~~Effective~~

Noteholder	Insider (Y/N)	Principal Amount	PIK Interest
Blackwell Partners	N	$1,325,000.00	$93,202.22
Cotsen Family Foundation	N	$5,000,000.00	$351,706.50
David Wolf	N	$500,000.00	$35,170.65
Doug Nilsen	N	$200,000.00	$14,068.26
Gary Lieberthal Trustee	N	$150,000.00	$10,551.20
Joel Reims and Kathleen Ann Reims, TTEES	N	$250,000.00	$17,585.33
Kayne Anderson Capital Income Partners	N	$3,900,000.00	$274,331.07
RBC Dain Rauscher	N	$500,000.00	$35,170.65
Robert P. Abate Trustee	N	$200,000.00	$14,068.26
Kayne Foundation	N	$2,500,000.00	$175,853.25
Anthony J. Wall	Y	$500,000.00	$35,170.65
Lee Cox	Y	$360,000.00	$25,322.87
Michael Grenley	Y	$900,000.00	$63,307.17
Richard Kayne, Trustee Living Trust	Y	$675,000.00	$47,480.38

Robert Schnell IRA	Y	$1,000,000.00	$70,341.30
Roberta Morris	Y	$360,000.00	$25,322.87
Susan Minier	Y	$180,000.00	$12,661.43

As part of the earlier turnaround effort discussed above, effective as of April 1, 2009, ~~as noted above,~~ the Debtors negotiated with the Noteholders an agreement to amend the Notes to, among other things, provide that the interest on the Notes could be paid through PIK Interest for up to eight quarters, at the Debtors' option, beginning with interest accrued from ~~January~~April 1, 2009, and to extend the maturity of the Notes by three years. In exchange for these concessions, among other things, the Noteholders required that TWC and Big Dog guarantee Holding's obligations under the Notes, and that the Debtors secure their obligations under the Notes with a junior security interest in substantially all of ~~its~~their assets (excluding certain trademarks and other intellectual property relating to Big Dog), subject and subordinated to the security interests of WFRF under the Prepetition Credit Facility.

In addition, the following Noteholders—Kayne Anderson Capital Income Partners (QP), LP; the Cotsen Family Foundation; The Kayne Foundation, Richard A. Kayne, Trustee; and Richard & Suzanne Kayne Living Trust dated 1/14/99—who ~~are~~were collectively owed approximately $12 million in principal amount of Notes, agreed to amend their Notes to provide that the outstanding principal amount of the Notes would be reduced by 25%, conditioned upon, among other things, the Debtors' landlords agreeing to grant certain rent concessions to the Debtors no later than December 1, 2009. The Debtors were not able to achieve these rent concessions.

c. General Unsecured Priority Claims

As of the Petition Date, the Debtors' books and records reflected $457,000 in priority wage claims owed by Holdings, $1.426 million in priority wage claims owed by TWC, and $42,300 in priority wage claims owed by Big Dog. The books and records for TWC and Big Dog also reflected approximately $1.02 million priority unsecured claims

on account of outstanding gift certificates and customer refund checks. Finally, the books and records for TWC and Big Dog reflected approximately $1 million in priority unsecured claims for sales and personal property taxes outstanding as of the Petition Date. These claims have been all been satisfied, or will be satisfied, in the ordinary course of the Debtors' business pursuant to Orders entered by the Bankruptcy Court in December 2009.

d. General Unsecured Non-Priority Claims

The General Unsecured Non-priority claims, as listed on the Debtors' Schedules, reflect the following amounts General Unsecured Non-Priority Claims outstanding as of the Petition Date: (a) Holdings - $2.9 million; (b) TWC - $19.2 million; and Big Dog - $500,000. As discussed below, TWC's Schedules include an $8.8 million intercompany payable from TWC to Big Dog USA Inc., with an offsetting intercompany receivable by Big Dog USA Inc. Additionally, as discussed in greater detail below, TWC's Schedules reflect $1.7 million owed under the Atchinson Note, which obligations were guaranteed by Holdings, and are therefore also reflected on Holdings' listing of General Unsecured Non-priority claim as a co-debtor claim. Thus, on a consolidated basis, the total General Unsecured Non-priority claims against three Debtors is $12.1 million.

Of the $12.1 million, $4.1 million relates to trade inventory claims owed by TWC; $3.3 million relates to landlord claims owed by TWC, Holdings and Big Dog; $1.7 million related to the Atchison Note, $1.0 million relates to Employee Stock Option Notes, $1.4 million relates to various vendor claims, and $600,000 relates to workers' compensation and general liability claims asserted as owed by TWC and Big Dog.

The Atchinson Note. As part of the acquisition of the Natural Comfort~~, Inc.~~ shoe chain, TWC issued a $1,700,000 three-year unsecured promissory note to the seller, Ken Atchinson. The principal ~~on this note~~the Atchison Note is payable on January 15, 2011, subject to a subordination agreement in favor of WFRF. The ~~note~~Atchison Note bears an interest rate of 7.0% and accrued interest is payable quarterly. A settlement agreement has been entered into with respect to this claim, and a motion seeking approval of this settlement will shortly be filed with the Bankruptcy Court.

The Employee Stock Option Notes. On May 9, 2007, ~~TWC~~Holdings purchased from certain of its officers ~~all of the~~ vested employee stock options held by them that would otherwise have expired on or before May 9, 2008. Options for a total of 245,000 shares were purchased from five officers ~~and employees~~ (no options were purchased from the CEO), as follows: Roberta Morris, Anthony J. Wall, Douglas Nilsen, David Wolf, and John Otchis. The purchase price was $16.00 per share, less the exercise price of the options, which ranged from $6.50 to $10.00 per share. The $16.00 price ~~represents~~represented a discount of approximately 5% from the May 9, 2007 closing price of $16.80. The net purchase price was $1,965,000. ~~TWC~~Holdings paid for the options by delivery of Employee Stock Option Notes bearing interest at 7% per annum and payable in two equal installments on April 10, 2008 and April 10, 2009.[~~6~~]

~~TWC~~Holdings has paid the first installment of principal due under the Employee Stock Option Notes. The final installment of principal was due April 10, 2009 (*e.g.*, the maturity date), but has not been paid. ~~TWC has~~Holdings continued to pay interest at the rate of 7% per annum on the Employee Stock Option Notes past the Maturity, and as of the date of this Agreement has paid such interest through September 30, 2009. The total amount outstanding under the Employee Stock Option Notes as of the Petition Date was approximately $995,312. A settlement agreement has been entered into with respect to this claim, and a motion seeking approval of this settlement will shortly be filed with the Bankruptcy Court.

Landlord Claims. As of the Petition Date, the Debtors' books and records reflected $200,000 in landlord claims owed by Holdings, $3.0 million in landlord claims owed by TWC and $100,000 in landlord claims owed by Big Dog ~~USA Inc~~.

Trade Inventory Claims and Other Miscellaneous Unsecured Claims. A total of $4.1 million in trade inventory claims are reflected on the books and records for TWC as of the Petition Date, in addition to $1.4 million in various vendor claims owed by TWC

~~6~~

and Big Dog, and approximately $600,000 in general liability claims owed by TWC and Big Dog.

The Intercompany Claims. The intercompany balances shown on the Debtors' Schedules are reflected in the books and records of the Debtors as maintained in the ordinary course of their respective businesses. As to these items, although the Debtors generally maintained consolidated balance sheets pursuant to which intercompany balances were netted out for consolidated reporting purposes, to the extent stand-alone or consolidating (*i.e.*, individual) balance sheets were maintained, those balance sheets showed these amounts as assets or liabilities. Such intercompany amounts principally represent payments made by one entity on account of indebtedness as to which another entity was co-liable as a principal obligor or a guarantor. For example, TWC and Big Dog were (and are) liable under the Prepetition Credit Facility. Where cash derived from the operations of TWC or Big Dog was used to satisfy interest or principal obligations on account of that indebtedness, an intercompany debit was reflected on the books and records of the entity liable on such indebtedness, and an intercompany credit was reflected on the books and records of the entity funding such payment. No promissory notes or other documentation, other than the respective financial statements, exists with respect to these intercompany amounts. The Plan provides that Intercompany Claims will be Reinstated and maintained in the ordinary course of business; no cash payments will be made from one Debtor to another on account of the Intercompany Claims.

e. Reclamation Claims

Shortly after filing its Reorganization Cases, the Debtors received one reclamation demand totaling approximately $264,000 from Aetrex Worldwide, Inc. on account of shipments of inventory to TWC that the vendor asserts were shipped within 45 days preceding the Petition Date. Bankruptcy Code section 546(c) honors the rights of a reclamation claimant under non-bankruptcy law, where, among other things, the goods were sold in the ordinary course of the seller's business, the debtor was insolvent, and the claimant made timely written demand for reclamation. Under the Bankruptcy Code,

however, even an otherwise valid reclamation claim may be denied (*i.e.*, the claimant may be denied the right to reclaim the goods subject to the demand) if the court grants the claimant an administrative priority or secured claim, which presumably must be satisfied thereafter in accordance with the Bankruptcy Code's requirements. Following the Debtors' receipt of the Reclamation Claim, the Debtors advised the claimant that they would evaluate the Claim and advise the claimant regarding their determination. The Plan proposes that the Reclamation Demand, to the extent valid, will be paid in full.

3. Interests

a. Common Stock

TWC and Big Dog are wholly owned subsidiaries of Holdings. Holdings is a holding company trading on the pink sheets under the symbol "WALK." Holdings is authorized to issue 30,000,000 shares of common stock. As of December 31, 2009, the Debtors had ~~10,973,264~~9,540,949 of common stock issued and outstanding. The Prepetition Credit Facility and DIP ~~Financing~~Facility prohibit the payment of dividends.

Fred Kayne, who is also the Chairman of the Board of Directors of Holdings, controls Holdings through his ownership of approximately 56% of Holdings' outstanding common stock. Fred Kayne's brother, Richard Kayne, owns approximately 9% of Holdings' outstanding stock, and Andrew D. Feshbach, the Chief Executive Officer of Holdings, owns approximately 7% of the outstanding stock. Other officers, including Anthony J. Wall, Roberta J. Morris, Michael Grenley, and Lee Cox, each own stock constituting less than 1% of the outstanding shares. The Debtors are unaware of any individuals who own more than 5% of Holdings' outstanding common stock, except as set forth above.

b. Preferred Stock

Holdings is authorized to issue 3,000,000 shares of preferred stock. As of the Petition Date, Holdings did not have any preferred stock issued or outstanding. Under Holdings' Certificate of Incorporation, its Board of Directors is authorized to fix the terms of any preferred stock issued.

c. Employee Stock Options

The Debtors have adopted a performance award plan (the "Performance Award Plan") to attract, reward, and retain officers and employees. ~~The maximum number of shares of common stock reserved for issuance under this plan is 3,000,000. Awards under the Plan may be in the form of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, stock bonuses, or cash bonuses based upon performance.~~ Options for 1,180,961 shares are issued and outstanding under the Performance Award Plan at exercise prices ranging from $2.90 to $10.00, and with expiration dates ranging from June 1, 2010 to June 29, 2015.

H. Current and Historical Financial Conditions

The Debtors' primary income comes from TWC's sales of high-quality, technically designed comfort footwear and accessories for men and women and from Big Dog's sales of its branded collection of T-shirts, shorts, and other casual sportswear featuring graphic designs focused on the BIG DOGS® trademark and a dog character known as "Big Dog." The Debtors own no real property. The identity and value of the each of the Estates' assets are listed in detail on Exhibit A, and consolidated historical financial statements for the three years 2007, 2008, and 2009 are set forth at Exhibit B.

I. Significant Events During the Bankruptcy

The following is a chronological list of significant events which have occurred during these Reorganization Cases:

1. The Transition to Operations as Debtors in Possession and Other Early Events in These Reorganization Cases

During the first few weeks of these Reorganization Cases, management devoted significant time and resources to meeting with key vendors to assure them that the Debtors' operations would continue essentially uninterrupted during these Reorganization Cases. As a result of these efforts, within the first several weeks following the Petition Date the Debtors obtained cooperation from their key vendors. The Debtors have also been generating substantial information concerning their financial performance, which

information has been provided to the Committee and its members. Additional information has been made public through pleadings filed periodically in the Reorganization Cases and through operating reports and interim statements submitted to the U.S. Trustee.

In addition, the Debtor obtained a "first-day" hearing on December 14, 2009 to consider various relief requested by the Debtors to facilitate their transition to Chapter 11. Among other things, the Debtors obtained Court orders: (a) establishing notice procedures; (b) extending the time for the Debtors to file their respective Schedules; (c) establishing the conditions under which the Debtors could continue receiving utility services; (d) directing the joint administration of these Reorganization Cases; (e) authorizing the Debtors to honor certain employee benefits and wages in the ordinary course of business; (f) authorizing the Debtors to pay certain prepetition sales and use taxes in the ordinary course of business; (g) permitting the Debtors to honor gift cards and other customer obligations; and (h) allowing the Debtors to maintain their cash management system.

2. The Debtor-in-Possession Financing

Shortly before the Debtors filed these Reorganization Cases, they negotiated the terms of the DIP Facility with WFRF. In broad outline, the DIP Facility provided for TWC and Big Dog to obtain from WFRF cash advances and other extensions of credit in an aggregate principal amount of up to $30 million on a revolving credit basis, subject to a budget filed with the Court. Holdings guaranteed the obligations under the DIP Facility. In broad outline, the DIP Facility provided for: (a) WFRF to make advances to TWC and Big Dog based upon eligible inventory and receivables as calculated under the Prepetition Loan Agreement; (b) the Debtors to remit all cash generated from prepetition collateral (*i.e.*, receivables on hand as of the Petition Date) to WFRF for application against, and partial satisfaction of, WFRF's prepetition Claims under the Prepetition Loan Agreement; (c) the Debtors' authority to expend funds for the purposes set forth in the financing budget, subject to a negotiated variance; (d) the Debtors to pay interest to WFRF in the amount of LIBOR plus 3.5% under the revolving facility; and (e) a stated maturity of

April 15, 2010. The Debtors' obligations under the DIP Facility were to be secured by valid and perfected first priority priming liens on and security interests in substantially all assets owned by Debtors, except avoidance actions under the Bankruptcy Code and subject to a professional-fee carveout.

Shortly after filing their chapter 11 petition, on December 16, 2009, the Debtors obtained interim approval of the DIP Facility. Thereafter, the Committee, the Debtors, and WFRF engaged in negotiations regarding final approval of the financing. These discussions focused predominantly on: (a) the adequacy of the financing provided by WFRF; and (b) the Committee's interest in creating a two-track process that would permit the Debtors to move forward with this Plan while simultaneously conducting a "market test" to determine whether a sale process would be likely to generate greater recoveries to creditors than the Debtors' proposed Plan. These issues were all addressed and resolved consensually among the parties. Among other things, WFRF agreed to make certain modifications to the postpetition financing that provided the Debtors with approximately $2.45 million in additional liquidity, and certain deadlines under the DIP Facility were extended in order to accommodate a "two track" reorganization and due diligence process. Subsequently, the DIP Financing agreement was approved on a final basis on January 14, 2010. Pursuant to the "roll up" under the DIP Facility, the prepetition indebtedness owing to WFRF has been fully paid off, and the outstanding balance on the DIP Facility as of December 31, 2009 was approximately $7.1 million. This outstanding balance could fluctuate with borrowings and pay downs between now and the Effective Date. The Debtors anticipate that as of April 15, 2010, the outstanding balance on the DIP Facility should total about $15 million.

3. Appointment of the Committee.

Shortly after the Debtors commenced their Reorganization Cases, the U.S. Trustee appointed an Official Committees of Unsecured Creditors in these Reorganization Cases. The Committee members are: Deckers Outdoor Corp.; Ken Atchinson; Simon Property Group; General Growth Properties, Inc.; Dansko, LLC; Ecco USA Inc.; UPS; Aetrex

Worldwide Inc.; and MBT-Masai USA Corp. From time-to-time, the Debtors management and professionals have provided information to, and interacted with, both the Committee and its member. In addition to monitoring the Reorganization Cases, the Committee from time to time has requested documentation regarding, among other things, the Debtors' operations, its financing needs, its progress towards formulating a plan, and the status of the due diligence being conducted by various interested parties.

4. Professionals Retained by the Estates and Professional Fee Budgets.

The Debtors have retained four professionals to assist with the administration of their estates, and they anticipate retaining three more. In addition, the Committee has an additional two professionals. These professionals are listed in the following table.

Professional	**Representation**	**Date Order Entered Authorizing Employment**
Estate Professionals		
Arent Fox LLP	Reorganization Counsel	Order Pending
Kurtzman Carson Consultants	Claims Agent	1/26/2010
Clear Thinking Group	Financial Advisors	1/11/2010
Tiger Capital Group		1/29/2010
Singerlewak	Accountant	Application Pending
Holthouse Carlin & Van Trigt	Accountant	Application Pending
Koenig and Associates	Special IP Counsel	Application Pending
Committee Professionals		
Pachulski Stang Zhiel & Jones	Committee Counsel	1/21/2010
BDO Seidman, LLP	FinancialAdvisor	1/21/2010

As discussed in Section II.G.2.a., above, early in the Reorganization Cases, the Debtors entered into a DIP Facility, which included a budget for estimated professional fees and expenses payable on an interim basis. (See Section III.C.1 summarizing payments made and estimating anticipated Professional-Fee Claims through the Effective Date.)

5. The Bar Date and Claim Objections

On January 15, 2010 Debtors filed a *Motion for Entry of an Order (A) Establishing Bar Date for Filing (I) Proofs of Claim or Interest and (II) Requests for Allowance of Section 503(B)(9) Administrative Expense; (B) Approving Form and Manner of Notice of Bar Date*. By this Motion, the Debtors proposed that the Court establish March 3, 2010 as the general bar date for filing any proofs of claim or interest against the Debtors. Approximately 73 proofs of claim or interest have been filed in case no. 09-15138. Approximately 8 proofs of claim have been filed in case no. 09-15137. Approximately 6 proofs of claim have been filed in case no. 09-15139. Accordingly the total proofs of claim filed in these Reorganization Cases to date is approximately 87, and this number is likely to increase once the bar date notice is served on all creditors and parties in interest. Promptly following the bar date and prior to the hearing to approve the adequacy of this Disclosure Statement, the Debtors and their claims agent will file an update to this section of the Disclosure Statement identifying the following rough categories of Claims that may be asserted against each Debtor: Secured Claims, Priority Claims, and Unsecured Claims. The Debtors will include with this update a preliminary analysis setting forth the extent to which they believe that Claims may be reduced as objections to claims are identified and either resolved or prosecuted and the extent to which the claim reconciliation and objection process may impact distributions under the Plan.

6. The Debtors' Positive Postpetition Performance

Leading up to the filing, the Debtors were was concerned about their liquidity following the 2009 holiday period. Faced with tightening vendor credit, tightening bank covenants, and the obligation to repay deferred rent payments commencing in December

2009, it did not appear the Debtors would have the financial ability to operate effectively in the first half of 2010 without resort to the bankruptcy process. The Debtors selected a December filing date because they believed this would be the least disruptive to business operations (and subsequent recoveries to creditors) since at that time the Debtors would be well-stocked with inventory for the holiday season. Any interruption of inventory purchases following a bankruptcy filing was expected to be less disruptive during this period, as it would primarily impact sales in January and February—a much lower sales time frame than the December holiday period. Further, it would be relatively easy to close stores during this time frame and the ensuing weeks.

This strategy proved effective. Subsequent to the Petition Date, the Debtors incurred a strong December selling period that resulted in comparative store sales of approximately 6% for the postpetition period and 2.9% for the fourth quarter. Postpetition pre-tax income is approximately $2.1 million, which is the result of higher sales as well as cost cutting measures that the Debtors are continuing to roll out. While initial inventory shipments from vendors were slow following the filing, as had been anticipated, all critical vendors are now shipping and on-track with improving credit terms. Specifically, the Debtors were particularly successful in managing down their year-over-year inventories, resulting in lower debt and lower levels of discounted merchandise going forward. As noted above, the Debtors have also paid down their Prepetition Credit Facility and DIP Facility by over $18 million for the period, ending the year with only $7.1 million outstanding on their DIP Facility. And as discussed in greater detail below, the Debtors now appear better situated to achieve profitability given their new rent structures s and further reductions in overhead and field operating costs.

7. Restructuring Efforts and the Plan Process.

a. The Debtors' Successful Renegotiation of Its Real Estate Lease Portfolio

On the Petition Date, the Debtors were parties to approximately 215 unexpired leases of non-residential real property. The Debtors' corporate headquarters are located at

an approximately 24,000 square foot leased office building in Santa Barbara, California, pursuant to a non-residential real estate lease entered into by Holdings. Additionally, the Debtors lease an office for the TWC merchandising group comprising approximately 17,000 square feet in Westlake, California. Lastly, Holdings leases a 230,000 square foot distribution center in Lincolnton, North Carolina. The total monthly rent under these leases is approximately $116,341. The Debtors are currently using the facilities in the ordinary course of their business operations. As required under the Bankruptcy Code, the Debtors have timely satisfied all of their postpetition rent and other obligations under these real estate leases. The Debtors are unaware of any unpaid, prepetition obligations in connection with the real-estate leases.

In addition, as of the Petition Date, TWC was a party to approximately 207 unexpired leases of non-residential real property relating to TWC stores doing business in 38 states across the country. As of the Petition Date, the total monthly rent under these leases was approximately $2.8 million. In addition, Big Dog was a party to eight unexpired leases of non-residential real property relating to Big Dog stores doing business in California and Florida. The total monthly rent under these leases is approximately $100,000. As required under the Bankruptcy Code, the Debtors have timely satisfied all of their postpetition rent and other obligations under these real estate leases.

To further their "right-sizing" plan, shortly after commencing these Reorganization Cases, the Debtors filed a motion seeking authority to close approximately 130 stores, all of which were at above-market rents, and establishing streamlined procedures to handle the rejection of their non-residential, real property leases. The Court approved this motion in December 2009, and in January 2010 the Debtors filed a motion seeking authority to close approximately 40 additional stores. In the meantime, however, in response to landlords' expressed desire not to have stores closed, the Debtors also reached out to their landlords to explore the possibility of renegotiating existing leases at market rents. The Committee conducted its own lease analysis, and while there were some differences in the methodology used by the Debtors and the Committee, conceptually the Committee and

the Debtors agreed that the Estates would be benefited if additional stores could be kept open at more favorable rents.

Subsequently, the Debtors have been engaged in extensive negotiations regarding their portfolio of unexpired, non-residential real estate leases. They have now successfully entered into agreements that provide for the modification of many of their leases, subject to Bankruptcy Court approval of these lease modification agreements. ~~While the~~The lease modifications ~~impact~~affect approximately ~~90~~100 of the Debtors' 210 total leases~~, and none~~. The terms of the agreements ~~are identical, the changes all follow a general template~~vary, but a significant number have similar provisions. By way of summary, a significant number of the lease ~~modification~~modifications provide for a reduction of the Debtors' rent ~~to market rates~~ for a period of, typically, about ~~18 months~~2 years. After that time, the Debtors (and in some instances the landlords) have the right to terminate many of the modified leases. If the modified leases are not terminated, then the rent will reset, on a prospective basis only, to the rental rates otherwise provided for in the original, unmodified leases.

These modifications provide the Debtors with significant protection. First, the Debtors obtain immediate rent relief which will reduce their aggregate monthly store rent from approximately $2.8 million to $2.4 million. As a result of the restructuring and cost reduction initiatives, the company expects to generate annual cost savings of approximately $3 million. The savings will begin currently, with substantially all of the benefit of these cost initiatives expected to be realized by the end of 2010.

Second, if the economy improves over the next 18 months, then even at the higher rent rates, the Debtors will be well positioned to continue their business operations with substantially all of their current stores in place. If the economy does not improve and the Debtors cannot operate profitably under higher rents after this period of adjusted rent, the leases can simply be terminated and the Debtors' operations can be downsized in an orderly fashion without exposing the Debtors to claims for early termination or rejection damages. Based on the significant success that the Debtors have achieved in their lease

negotiations, TWC has modified its reorganization plan to provide for the closing of only one TWC store. The balance of the stores originally slated for closure now remain open pursuant to lease modification agreements, pending Bankruptcy Court approval. The Debtors' Plan therefore contemplates that substantially all of its stores will be retained on the Effective Date, and substantially all ~~it~~its executory contracts and unexpired leases will be assumed, subject to the negotiated lease modifications.

As required under the Bankruptcy Code, the Debtors have timely satisfied all of their postpetition rent and other obligations under these real estate leases. The Debtors' books and records indicate that the unpaid, prepetition obligations owed in connection with these real estate leases are approximately $3.3 million. However, pursuant to the lease modification agreements, the Debtors have ~~successfully~~ reduced their "cure" obligations with respect to this lease portfolio to $3.2 million in the aggregate, and substantially all other general unsecured claims against the Debtors will be waived upon the Debtors' assumption of the modified leases.

Substantially contemporaneously with the filing of this Disclosure Statement, the Debtors are preparing to file a motion seeking approval of the negotiated lease modifications. Promptly following the Court's entry of an order on such motion, which the Debtors anticipate will occur prior to the hearing on this Disclosure Statement, the Debtors will file an amendment to this Disclosure Statement reflecting the Court's ruling. If modifications to the Schedules of Assumed and Rejected Agreements are required during the course of these Reorganization Cases, the amended Schedules of Assumed and Rejected Agreements will be filed and served on or before the Exhibit Filing Date.

b. Other Unexpired Leases and Executory Contracts

The Debtors' business involves hundreds of creditors nationwide with numerous contracts, leases, and other agreements. Throughout these Reorganization Cases, the Debtors have been analyzing their agreements to determine whether it would be beneficial to accept or reject them on the Effective Date. The Debtors are currently using substantially all of these agreements in the ordinary course of their business, and rejection

of the vast majority of these agreements before Plan confirmation could therefore be extremely disruptive to its operations. Inasmuch as the Plan contemplates that substantially all of the Debtors stores will remain open pursuant to the modified lease portfolio, resulting in 100% distributions to most Classes of creditors, the Plan contemplates that substantially all of the Debtors' executory contracts and unexpired, non-real estate leases will be assumed on the Effective Date.

As noted above, the Debtors are preparing to file a motion seeking approval of the negotiated lease modifications with respect to their portfolio of real estate leases, they will file an amendment to this Disclosure Statement reflecting the Court's ruling on this motion. Inasmuch as the assumption of many of the Debtors' other agreements is premised on the Court's approval of the modifications to the Debtors' lease portfolio, which will enable virtually all of the Debtors' stores to remain open, if modifications to the Schedules of Assumed and Rejected Agreements are required during the course of these Reorganization Cases, such amended Schedules of Assumed and Rejected Agreements will be filed and served on or before the Exhibit Filing Date.

c. The Debtors' ~~New Value~~ Plan and Investor Support.

Prior to the filing, the Debtors apprised Richard Kayne that it may be in the best interests of the Debtors and all interested parties for the company to be reorganized and that additional capital would be required to support the reorganization effort and to capitalize the Reorganized Debtors going forward. After some negotiations, Mr. Kayne provided a letter of intent to provide the necessary capital. Shortly thereafter, the Debtors filed their chapter 11 petitions. At that time, it was anticipated that the Debtors would be able to quickly propose a confirmable chapter 11 plan, although as a result of significant anticipated rejection damage claims resulting from planned store closings, it appeared that unsecured creditors would receive only a *pro rata* recovery on their claims and that all existing equity interests in the Debtors would be cancelled.

As a result of the Debtors' significant success in their negotiations with landlords, it became apparent that the Debtors would close fewer stores than had first been planned

and that significantly fewer rejection damage claims would result. Further, the rent concessions that were being obtained and the Debtors' improving operating results indicated that the recoveries to creditors potentially could be significantly improved over what had originally been expected and that perhaps the equity interests of stockholders could be preserved, allowing the Debtors a possibility of preserving approximately $17 million in tax loss carryforwards for the benefit of the Debtors' Estates. This change in the Debtors' reorganization strategy was met with initial resistance from Mr. Kayne's advisors and counsel, but eventually Mr. Kayne and the Investors agreed to fund the current Plan, which provides a full recovery to all creditors other than the Noteholders, and which preserves Holdings' Existing Common Stock subject to possible impairment pursuant to the terms of the Investor Commitment Letter. Mr. Kayne may privately solicit certain other persons, possibly including certain stockholders of the Company (each who qualifies as an accredited investor within the meaning of Regulation D under the Securities Act), to participate in this investment.

The Debtors further negotiated with Mr. Kayne regarding the ~~extent to which the~~ Investors' Capital Investment ~~would be dilutive to~~and its effects on existing stockholders. After negotiations, Mr. Kayne ~~and the Investor group~~ agreed to allow the Reorganized Debtors to make a rights offering to existing stockholders to ~~avoid dilution by having the ability to participate in~~pay off the Capital Investment ~~through a planned rights offering to occur~~ following the Effective Date. The Reorganized Debtors ~~intend to make a~~contemplate making such as rights offering to existing stockholders late in 2010 or early in 2011, subject to compliance with applicable federal and state securities laws~~. The Debtors and Mr. Kayne intend to privately solicit certain other stockholders of the Company, each who qualifies as an accredited investor within the meaning of Regulation D under the Securities Act, to participate in this investment~~, but reserve the right to pursue other financing alternatives to repay the Capital Investment in a manner that takes into account the interests of all existing shareholders. The Debtors are supportive of this rights offering, as seeking to avoid a change in ownership may preserve

approximately $17 million tax loss carry forwards that could benefit the Debtors and all of their stakeholders going forward.

In consideration of the capital support, financial advice, and concessions from the Investors, the Debtors have agreed to their request for an advisory fee to be paid to in connection with the Capital Investment. The advisory fee, in the amount of $2.5 million, will be payable in cash to the Investors upon the earliest to occur of (a) the closing of the rights offering required under the Investor Commitment Letter (or other permitted payoff of the Capital Investment), (b) a liquidation, dissolution, or winding up of the Debtors as contemplated under the "Liquidation Preference" in the Commitment Letter, or (c) January 31, 2011. Furthermore, under the terms of the Exit Financing to be provided by WFRF, the payment of such an advisory fee will be subject to a subordination agreement in favor of WFRF as well as maintenance of a minimum specified level of availability both for a period before and after giving effect to the payment, under the Exit Facility. The Debtors believe that this fee request is fair and reasonable given the extent to which the Investors' capital support and financial advice will be used to enable a highly successful reorganization of the Debtors, which will emerge as a profitable enterprise going forward having paid all of their prepetition debts—other than those obligations being voluntarily impaired by the Noteholders and the holders of the Employee Stock Option Notes—and having preserved Holdings' equity value for all of its stockholders.

d. Marketing Testing of the New Value Plan and a Possible Sale Process

As noted above, at the time that the Debtors commenced these Reorganization Cases, it was anticipated that rejection damage claims resulting from planned store closings would result in only a *pro rata* recovery to unsecured creditors. Moreover, in the first week following the Petition date two parties materialized expressing an interest in acquiring some of the Debtors' assets on a going concern basis. Accordingly, the Debtors and the Committee agreed that a process would be commenced to subject the Debtors' contemplated new value plan to a market test to ascertain whether the Capital Investment

represented fair value for the equity interests in the Reorganized Debtors and to help the Debtors and the Committee to evaluate whether greater recoveries might be generated by a sale of the Debtors' business pursuant to Bankruptcy Code Section 363.

To that end, significant marketing activity has occurred since the Petition Date. The Debtors, with the assistance of their financial advisor, opened a "virtual data room" during the fourth week of December, approximately two weeks after the Petition Date, and began populating that data room with significant financial data regarding the Debtors based on a due diligence list provided by the Committee's financial advisor. The Debtors have continued to add data to the virtual due diligence room, on a rolling basis, during the course of this Reorganization Case and, from time to time, to add additional documents in response to requests from interested parties. The Debtors drafted a form of confidentiality agreement and provided it to Committee counsel for comment during the first week of January 2010. The Debtors then began circulating the confidentiality agreement to all interested parties, and these parties were all granted access to the virtual data room promptly following their execution of the confidentiality agreement. The confidentiality agreement was received on or about January 7, 2010.

Meanwhile, the Committee and its financial advisors reached out to at least a dozen parties who they believed might be interested in pursuing a transaction, and the Debtors also reached out to one interested party about a possible transaction. To date, 11 interested parties requested additional information and were provided with a confidentiality agreement. Of these parties, one indicated, through counsel, that it would only return an executed confidentiality agreement and participate in due diligence if it could withhold its identity from the Debtors, the Committee, WFRF, this Court, and all other parties in interest. The Debtors declined to go forward on this basis. Another seven parties returned an executed confidentiality agreement and have been provided with access to the virtual data room. Two of these parties have indicated that they are not interested in going forward with a sale process, or that they are only interested in going forward if they believe they can purchase the Debtors' assets at a significant discount

relative to the Debtors' debt structure. None of the remaining five parties have provided the Debtors' with a letter of intent or otherwise indicated the terms on which they might be interested in moving forward with a transaction, if at all, or what the structure of such a transaction might be.

8. Other Legal Proceedings

Currently, there are no pending adversary proceedings in these Reorganization Cases, and no pending motions other than those noted above. The Debtors are currently involved in the following nonbankruptcy legal proceedings, all of which have been automatically stayed. The Debtors are not the plaintiffs in any pending state-court litigation that should be pursued for the benefit of the Estates.

a. Actions against Holdings

Mayorga v. Feshbach (Dog Bite /Indemnification Claim): A complaint entitled *Jade Mayorga v. Andrew Feshbach, Juicy Couture, Liz Claiborne, Inc*., was filed on September 15, 2009 in the Superior Court of California, Santa Barbara County. The complaint alleges, *inter alia*, that Holding's CEO, Andrew Feshbach, negligently failed to prevent an injury to defendant in a retail store by a dog owned by Mr. Feshbach. Plaintiff claims unspecified damages for physical and psychological injuries. The accident occurred in the course of business being conducted by Mr. Feshbach on behalf of Holdings, and accordingly Holdings has agreed to defend and indemnify him. The claim has been turned over to Debtors' insurance carrier.

Margaritaville Enterprises (IP Litigation): Margaritaville Enterprises, LLC has filed Opposition No. 91186184 against App. Ser. No. 78979408 in classes 16, 24, and 25 for the mark IT'S FIVE O'CLOCK SOMEWHERE! owned by The Walking Company Holdings, Inc. Margaritaville Enterprises, LLC has filed Opposition No. 91186185 against App. Ser. No. 78453043 in Class 043 for the mark IT'S FIVE O'CLOCK SOMEWHERE! owned by The Walking Company Holdings, Inc. Both proceedings are currently pending in the Trademark Trial and Appeal Board of the United States Patent and Trademark Office and the two proceedings have been consolidated into one proceeding with Opp.

No. 91186184 being labeled as the "Parent".

Obersheimer v. Holdings (Contractor Dispute): A complaint entitled *Clayton B. Obersheimer v The Walking Company Holdings, Inc d/b/a The Walking Company* was filed on October 15, 2009 in Supreme Court of the State of New York, County of Eire. The complaint alleges, *inter alia,* that the plaintiff subcontractor provided goods and services to a general contractor hired by TWC to build out one of its stores, that the contractors has not paid plaintiff and that TWC is responsible for payment. Plaintiff claims damages in the amount of $19,100 plus interest and attorney's fees.

b. Actions against TWC

Andrews & Park v. TWC (Employee Claims): A complaint entitled *Erin Andrews and Keith Park, on behalf of themselves and all others similarly situated, vs. The Walking Company* was filed in Los Angeles Superior Court on December 31, 2008. The complaint, as amended, seeks to certify a class of all non-exempt employees employed by TWC in California. The complaint alleges that TWC incorrectly calculated overtime pay for commissioned employees in violation of the California Labor Code and as a result such employees are entitled to wages, interest and penalties. Without admitting liability, the parties entered into a settlement agreement as of July 17, 2009 under which TWC agreed, subject to final court approval of the settlement, to pay $225,000 in 2010 to the class to settle the action. As of the Petition Date, the hearing for final approval of the settlement has not occurred. ~~It is anticipated that this~~This claim ~~will be~~has been settled by way of a further settlement agreement negotiated between the parties following the Petition Date, and which will shortly be presented to the Bankruptcy Court for approval.

Rosa Maentas v. TWC (Slip and Fall): A complaint entitled *Rosa Amentas v The Walking Company* was filed on July 17, 2009 in the Superior Court of New Jersey, Law Division, Morris County. The complaint alleges, *inter alia,* that negligence by TWC resulted in a slip and fall injury to plaintiff in one of TWC's stores. Plaintiff claims unspecified damages for medical expense, pain, physical impairment, interest and cost of suit. The claim has been turned over to Debtors' insurance carrier. Because the defense

of this adversary proceeding is being handled by Debtors' insurance carrier and because any judgment would be paid by the carrier, the Debtors do not anticipate that this cause of action will have an effect on the plan.

Bobbi Gordon v. TWC (Slip and Fall): A complaint entitled *Bobbi Gordon v The Walking Company* was filed on October 8, 2009 in District Court of New Jersey, Law Division, Collin County. The complaint alleges, *inter alia*, that negligence by TWC resulted in a slip and fall injury to plaintiff in one of TWC's stores. Plaintiff claims unspecified damages for medical expenses, pain and suffering and loss of earnings. The claim has been turned over to Debtors' insurance carrier.

Scottsdale Fashion Square v. TWC (LeaseDispute): A Complaint entitled *Scottsdale Fashion Square LLC v. The Walking Company* was filed as of October 17, 2009 in the Superior Court of Arizona, Maricopa County. The Complaint alleges breach of contract by TWC under a retail store lease between TWC and the plaintiff. The Debtors settled this claim by way of a lease amendment, and the Debtors will seek approval of that lease amendment from the Bankruptcy Court.

Bayrock Investment v. TWC (Lease Dispute): A Complaint entitled *Bayrock Investment Co. v. The Walking Company* was filed as of November 17, 2009 in the Circuit Court of the Twelfth Judicial Circuit in and for Sarasota County, Florida, Civil Division. The Complaint alleges breach of contract by TWC under a retail store lease between TWC and the plaintiff. The Debtors ~~are currently negotiating a settlement of~~settled this claim by way of a lease amendment, and the Debtors will seek approval of that settlement from the Bankruptcy Court.

Pearland Town Center v. TWC (Lease Dispute): A Complaint entitled *Pearland Town Center Limited Partnership v. The Walking Company* was filed as of November 19, 2009 in the District Court, 412th Judicial District of Brazoria County, Texas. The Complaint alleges breach of contract by TWC under a retail store lease between TWC and the plaintiff. The Debtors ~~are currently negotiating a settlement of~~settled this claim by way of a lease amendment, and the Debtors will seek approval of that settlement from the

Bankruptcy Court.

Trumbell Shopping Center v. TWC (Lease Dispute): A Complaint entitled *Trumbell Shopping Center #2, LLC v The Walking Company* was filed as of December 7, 2009 in the Superior Court J.D. of Fairfield at Bridgeport Housing Session. The Complaint alleges breach of contract by TWC under a retail store lease between TWC and the plaintiff. The Debtors ~~are currently negotiating a settlement of~~settled this claim by way of a lease amendment, and the Debtors will seek approval of that ~~settlement~~lease amendment from the Bankruptcy Court.

Arlington Highlands v. TWC (Lease Dispute): A Complaint entitled *Arlington Highlands LTD. v. The Walking Company* was filed as of December 2, 2009 in the County Court at Law No. 3, Tarrant County, TX. The Complaint alleges breach of contract by TWC under a retail store lease between TWC and the plaintiff. The Debtors settled this claim by way of a lease reinstatement, and the Debtors will seek approval of that lease reinstatement from the Bankruptcy Court.

In Line Construction Group v. TWC (Contractor Dispute): A Complaint entitled *In Line Construction Group, Inc. v. CCS, LLC d/b/a Columbia Construction Services, LLC and The Walking Company* was filed on December 26, 2008, in the Circuit Court of Cook County, Illinois. The complaint alleges that the plaintiff subcontractor provided goods and services to a general contractor hired by TWC to build out one of its stores, that the contractor has not paid plaintiff and that TWC is responsible for payment. A default order was obtained by plaintiff against TWC (and also the general contractor). Before prove-up was made and a default judgment entered, settlement conversations between TWC and plaintiff commenced but no settlement was finalized.

c. Actions against Big Dog

Harris v Big Dog (Slip and Fall): A complaint entitled *Judy Harris v. The Walking Company, Inc. f/k/a Big Dog Holdings, Inc.* was filed on November 12, 2008 in Circuit Court, Hamilton County, Tennessee. The complaint alleges, *inter alia*, that negligence by defendant resulted in a slip and fall injury to plaintiff in one of Big Dog's

stores, and plaintiff claims unspecified damages for medical expenses, pain and suffering and emotional distress. The claim has been turned over to Debtors' insurance carrier.

Atlantic City v. Big Dog (Lease Dispute): A complaint entitled *Atlantic City Associates Number Two (S-1), LLC v. Big Dog USA, Inc*. was filed November 20, 2008 in Superior Court of New Jersey, Atlantic County. The complaint alleges, *inter alia*, breach of contract by Big Dog under a retail store lease between Big Dog and the plaintiff. Plaintiff claim $50,996 in damages plus fees and interest. A judgment was entered for an award against Big Dog of $121, 470.54. A settlement agreement has been entered into with respect to this claim, and a motion seeking approval of this settlement will shortly be filed with the Bankruptcy Court.

Buckner v. Big Dog (Slip and Fall): A complaint entitled "Karen Buckner v. Big Dog USA, Inc." was filed April 28, 2009 in District Court, Galveston County, Texas. The complaint alleges, *inter alia*, that negligence by Big Dog resulted in a slip and fall injury to plaintiff in one of Big Dog's stores, and plaintiff claims unspecified damages for medical expenses, pain and suffering and mental anguish. The claim has been turned over to Debtors' insurance carrier.

~~***EEOC***~~***Laurie Costa (Employment Matter):*** A notice of ~~charge~~a filing of a discrimination complaint dated ~~July 31, 2009~~January 26, 2010 was given to TWC by the ~~Baltimore Field Office of the U.S. Equal~~Californian Department of Fair Employment ~~Opportunities Commission~~& Housing (the "~~EEOC~~DFEH") ~~to Big Dogs~~ regarding a claim ~~brought~~made by ~~Erika Chaney~~Laurie Costa, a former ~~Big Dog store~~TWC employee. Ms. ~~Chaney~~Costa claims ~~employment~~ discrimination on the basis of mental disability in connection with ~~Big Dog~~TWC's termination of her employment ~~in violation of Title VII of the Civil Right Act~~. The matter is under investigation by the ~~EEOC~~DFEH.

9. Actual and Projected Recovery of Preferential or Fraudulent Transfers

The Plan vests in the Reorganized Debtors any so-called avoidance actions, including the right to assert claims under Bankruptcy Code Section 547, *i.e.*, the preference section. Section 547(b) authorizes the debtor in possession to avoid (*i.e.*, set

aside) a transfer of property of the debtor that: (a) was made to or for the benefit of a creditor, for or on account of an ~~antece dent~~antecedent debt owed by the debtor before the transfer was made; (b) was made while the debtor was insolvent and on or before 90 days before the date of the bankruptcy filing (between 90 days and one year before the date of the petition, if such creditor at the time of such transfer was an insider); and (c) that enabled the creditor to receive more than the creditor would receive if the case were a liquidation case under Chapter 7 of the Bankruptcy Code, the transfer had not been made, and the creditor received payment of the debt to the extent provided by the provisions of the Bankruptcy Code. Bankruptcy Code Section 547(c) provides certain defenses to actions under Section 547(b), including a defense if the debt was incurred in the ordinary course of business or financial affairs of the debtor and the creditor and if the transfer was made in the ordinary course of business and according to ordinary business terms.

The Debtors Statement of Financial Affair Affairs identifies approximately $45,461,740 ($0.00 - Holdings) ($44,353,353.50 - TWC) ($1,108,387.53 - Big Dog) in transfers made in the 90-days prior to the Petition Date, as well as $3,490,646.44 in transfers made to Insiders during the one-year prior to the Petition Date. However, the Debtors do not believe that there are any material preference actions that may be available to the Estates. The Debtors believe that substantially all of their vendors received payments in the ordinary course of the Debtors business. Furthermore, inasmuch as the Plan contemplates payment in full of all Allowed General Unsecured Claims against the estate, the successful prosecution of avoidance actions, which would result in the reinstatement of a claim in favor of the defendant to the extent of the avoidance recovery, which would then be satisfied in full under the terms of the Plan, would provide no economic benefit to the Estates while causing the Estates to incur unnecessary legal fees. Therefore, it is not anticipated that any avoidance actions will be prosecuted during the Reorganization Cases or after the Effective Date.

III.

SUMMARY OF THE PLAN OF REORGANIZATION

A. What Creditors and Interest Holders Will Receive Under The Proposed Plan

As required by the Bankruptcy Code, the Plan classifies claims and interests in various classes according to their right to priority. The Plan states whether each class of claims or interests is impaired or unimpaired. The Plan provides the treatment each class will receive. The following summary of the Plan is qualified in its entirety by the actual terms of the Plan. In the event of any conflict, the terms of the Plan will control over any summary set forth in this Disclosure Statement.

B. General Overview

As required by the Bankruptcy Code, the Plan classifies claims and interests in various classes according to their right to priority of payments as provided in the Bankruptcy Code. The Plan states whether each class of claims or interests is impaired or unimpaired. The Plan provides the treatment each class will receive under the Plan. The categories set forth in this Section and summarized in the following table classify Claims and Interests for all purposes, including, without limitation, voting, confirmation, and distribution under the Plan.

CLASS	SUMMARY	VOTING STATUS
None	Administrative Claims and Administrative Tax Claims	Not Entitled to Vote
None	Priority Tax Claims	Not Entitled to Vote
Class 1	WFRF's Secured Claims Against the Debtors Under the Prepetition Credit Facility and DIP Facility	Unimpaired – Deemed to Accept
Class 2	The Noteholders' Secured Claims Against the Debtors Under the Notes	Impaired – Entitled to Vote
Class 3	Other Secured Claims	Unimpaired – Deemed to Accept
Class 4	Reclamation Claims	Unimpaired – Deemed to Accept

CLASS	SUMMARY	VOTING STATUS
Class 5	Priority Unsecured Claims	Unimpaired – Deemed to Accept
Class 6	General Unsecured Claims-Big Dog	Unimpaired – Deemed to Accept
Class 7	General Unsecured Claims-TWC	Unimpaired – Deemed to Accept
Class 8	General Unsecured Claims-Holdings	Unimpaired – Deemed to Accept
Class 9	Intercompany Claims	Unimpaired – Deemed to Accept
Class 10	Employee Stock Option Claims	Impaired – Entitled to Vote
Class 11	Holdings' Existing Common Stock	Impaired – Entitled to Vote[7]
Class 12	TWC's Existing Common Stock	Unimpaired – Not Entitled to Vote
Class 13	Big Dog's Existing Common Stock	Unimpaired – Not Entitled to Vote

The treatment set forth below is in full and complete satisfaction of the legal, contractual, or equitable rights in or against the Debtors of each Person holding an Allowed Claim or Allowed Interest. This treatment supersedes and replaces any agreements or rights those Persons have in or against the Debtors or their respective property. All distributions provided under the Plan will be tendered to the Person holding the Allowed Claim or Allowed Interest. Notwithstanding any agreement to the contrary to which a Debtor is or may be a party (including, without limitation, any prepetition intercreditor or subordination agreement, which will be cancelled and in no force or effect as of the Effective Date), any lien securing a Secured Claim will be void as of the Effective Date, and any lien granted under the Plan will be subject to the Plan's terms.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS PLAN, NO DISTRIBUTIONS WILL BE MADE, AND NO RIGHTS WILL BE

[7] The Debtors believe that the Class 11 (Holdings' Existing Common Stock) on account of certain voting rights and/or other corporate governance matters called for under the Investor Commitment Letter. Accordingly, the Plan contemplates that holders of Class 11 Interest will be entitled to vote. The Debtors will be seeking a determination from this Court in connection with the hearing to approve the Disclosure Statement, and if this Court concludes that the holders of Class11 Interests are not impaired, then the Plan will be modified to provide that such Persons are deemed to accept the Plan.

RETAINED, ON ACCOUNT OF ANY CLAIM OR INTEREST THAT IS NOT AN ALLOWED CLAIM OR AN ALLOWED INTEREST.

C. Unclassified Claims

Certain types of claims are not placed into voting classes; instead they are unclassified. They are not considered impaired and they do not vote on the Plan because they are automatically entitled to specific treatment provided for them in the Bankruptcy Code. As such, the Plan Proponents have not placed the following claims in a class.

1. Administrative Expenses

Administrative expenses are claims for costs or expenses of administering the Debtors' Reorganization Cases which are allowed under section 503(b) of the Bankruptcy Code. The Bankruptcy Code requires that all administrative claims be paid on the Effective Date of the Plan, unless a particular claimant agrees to a different treatment.[34]

The following chart lists all of the Debtors' known Section 503(b) Non-Ordinary Course Administrative Claims:

CLAIMANT	***ESTIMATED CLAIM***
Estate Professionals	
Arent Fox LLP	$771,000
Kurtzman Carson Consultants	$125,000
Clear Thinking Group	$~~330,000~~150,000
Tiger Capital Group	$75,000
Singerlewak	$15,000
Holthouse Carlin & Van Trigt	$8,000
Koenig and Associates	$5,000
Committee Professionals	

	$300,000[8]
Pachulski Stang Zhiel & Jones	$300,000
BDO Seidman, LLP	
503(b)(9) Claims	$3,500,000
Administrative Tax Claims	$2,665,000 in sales tax. This number does not including payroll taxes which are processed by the Debtors' payroll company. All administrative taxes are being paid as they become due.

The Reorganized Debtors will need to pay approximately $2 million worth of Administrative Claims on the Effective Date of the Plan unless the claimant has agreed to be paid later or the Court has not yet ruled on the claim. Pursuant to the DIP Order, the Debtors and WFRF are funding the amounts budgeted for their legal advisors, claims agent, and financial advisor, and for the Committee professionals, on a weekly basis, with such amounts being segregated in a professional fee account pending a Court order approving fees and authorizing payment. The estimated fees for the other professionals are expected to be $28,000 and will be funded from cash generated from operations, the Capital Investment, and approximately $~~15~~14 million of availability under the Exit Financing. In addition, Administrative Tax Claims are being paid in the ordinary course of business from cash generated from the Debtors' operations pursuant to the *Final Order Pursuant to 11 U.S.C. Section 105, 361, 362, 363, and 364 and Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (1) Authorizing incurrence by the Debtors of Post Petition Secured Indebtedness with Priority Over All Secured Indebtedness and with Administrative Superpriority, (2) Granting Liens, (3) Authorizing Use of Cash Collateral by the Debtors Pursuant to 11 U.S.C. Section 363 Providing for Adequate Protection, and (4) Modifying the Automatic Stay* and the Debtors therefore

[8] The DIP Financing Order includes a $600,000 budget for Committee professionals. The Committee has note provided an allocation of this budget at between their legal counsel and financial advisors. For presentation purposes only, the Debtors have allocated this amount equally between the two Committee professionals.

anticipate the amount of any outstanding Administrative Tax Claims on the Effective Date will be *de minimis.*

Unless the Person holding an Allowed Administrative Claim and the Debtors or Reorganized Debtors agree otherwise, the Disbursing Agent will pay to that Person cash in the Allowed Administrative Claim's full amount, without interest, on or before the later of: (a) as soon as reasonably practicable on or after the Effective Date; (b) 30 days after the date on which the Administrative Claim becomes an Allowed Administrative Claim; or (c) the date on which the Allowed Administrative Claim becomes due and payable.

The Court must rule on all fees listed in the above chart before the fees will be owed. For all Professional Fee Claims, the claimant or professional in question must file and serve a properly noticed fee application and the Court must rule on the application. Only the amount of fees allowed by the Court will be owed and required to be paid under this Plan.

More specifically, Administrative Claims will be allowed as follows:

Ordinary-Course Administrative Claims: Unless the Debtors or the Reorganized Debtors object to an Ordinary-Course Administrative Claim (which claims include Clerk's Office fees and U.S. Trustee's fees), the Claim will be allowed in accordance with the terms and conditions of the particular transaction that gave rise to the Ordinary-Course Administrative Claim, and the Person holding the Ordinary-Course Administrative Claim need not File any request for payment of its Claim.

Non-Ordinary-Course Administrative Claims: A Non-Ordinary-Course Administrative Claim, other than 503(b)(9) Claim, will be allowed only if:

a) On or before 60 days after the Effective Date, the Person holding the Claim both Files with the Court a motion requesting that the Debtors or the Reorganized Debtors pay the Non-Ordinary-Course Administrative Claim and serves the motion on the Debtors or Reorganized Debtors and Reorganization Counsel; and

b) The Court, in a Final Order, allows the Non-Ordinary-Course Administrative Claim.

The Court has established April 20, 2010 as the General Bar Date for all persons and entities to file a proof of claim or interest in these cases or requests for allowance of 503(b)(9) Claims.

The Debtors or Reorganized Debtors may File an objection to such a motion, proof of claim, or request for allowance of a 503(b)(9) Claim within the time provided by the Bankruptcy Rules or within any other period that the Court establishes. **Persons holding Non-Ordinary-Course Administrative Claims who do not timely File and serve a request for payment will be forever barred from asserting those Claims against the Debtors, the Estates, the Reorganized Debtors, or their respective property**.

Professional Fee Claims. The Court must approve all Professional Fee Claims. As set forth below, each professional in question must file and serve a properly noticed fee application, and the Court must rule on the application. Only the amount of fees allowed by the Court will be required to be paid under this Plan.

A Professional Fee Claim will be allowed only if:

a) On or before 60 days after the Effective Date, the Person holding the Professional Fee Claim both Files with the Court a motion requesting that the Reorganized Debtors pay the Professional Fee Claim and serves the motion on the Reorganized Debtors and their Reorganization Counsel; and

b) The Professional Fee Claim is allowed by a Final Order.

The Reorganized Debtors or any other party in interest may File an objection to such a motion within the time provided by the Bankruptcy Rules or within any other period that the Court establishes. **Persons holding Professional Fee Claims who do not timely File and serve a motion for payment will be forever barred from asserting those Claims against the Debtors, the Estates, the Reorganized Debtors, or their respective property**.

Administrative Tax Claims. An Administrative Tax Claim will be allowed only if:

a) On or before the later of: (1) 60 days after the Effective Date; or (2) 120 days after a Debtor files the tax return for the underlying taxes with the applicable governmental unit, the Person holding the Administrative Tax Claim both Files with the Court either a proof of Administrative Tax Claim or a motion requesting that the Reorganized Debtor pay the Administrative Tax Claim and serves the proof of Claim or motion on the Reorganized Debtor and the Debtors' Reorganization Counsel; and

b) The Court, in a Final Order, allows the Administrative Tax Claim.

The Reorganized Debtors may File an objection to such a proof of Claim or motion within the time provided by the Bankruptcy Rules or within any other period that the Court establishes. **Persons holding Administrative Tax Claims who do not timely File and serve a proof of Administrative Tax Claim or motion for payment will be forever barred from asserting those Claims against the Debtors, the Estates, the Reorganized Debtors, or their respective property, whether the Administrative Tax Claim is deemed to arise before, on, or after the Effective Date**.

2. Priority Tax Claims

Priority tax claims are certain unsecured income, employment and other taxes described by Bankruptcy Code Section 507(a)(8). The Bankruptcy Code requires that each holder of such a Section 507(a)(8) priority tax claim receive the present value of such claim in deferred cash payments, over a period not exceeding six years from the date of the assessment of such tax. The Debtors believe that Holdings will have a Priority Tax Claims for personal property tax assessed prior to the petition of approximately $19,036. TWC's Priority Tax Claims include income / sales tax claims in the amount of approximately $894,940.79, and personal property taxes in the amount of $102,097.24. Big Dog's Priority Tax Claims include sales taxes of $51,894.92 and personal property tax in the amount of $13,482.57. Exhibit G lists all of the Debtors' known Section 507(a)(8) priority tax claims as of the petition date.

Priority Tax Claims are being paid in the ordinary course of business from cash generated from the Debtors' operations pursuant to the December 18, 2009 Order Granting Emergency Motion of Debtor for an Order (I) Authorizing the Debtor to Pay Prepetition Sales and Use and Similar Taxes in the Ordinary Course of Business and (II) Directing Banks and Financial Institutions to Honor and Process Checks and Transfers Related Thereto, and the Debtors therefore anticipate the amount of any outstanding Allowed Priority Tax Claims on the Effective Date will be *de minimis.* Unless the Person holding an Allowed Priority Tax Claim and the Debtors or Reorganized Debtors agree otherwise, the Reorganized Debtors will pay to that Person, over a period not exceeding six years from the date on which the underlying tax was assessed, deferred cash payments in an aggregate amount equal to the amount of the Allowed Priority Tax Claim, plus simple interest from the Effective Date on the unpaid balance of the Allowed Priority Tax Claim at the Statutory Interest Rate. The Reorganized Debtors will make these payments in equal semiannual installments. The first installment will be due on the later of: (a) 30 days after the Effective Date; (b) 30 days after the date on which the Priority Tax Claim becomes an Allowed Priority Tax Claim; or (c) 30 days after the date on which the Priority Tax Claim is allowed by a Final Order. Each installment will include simple interest, in arrears, on the unpaid balance of the Allowed Priority Tax Claim at Statutory Interest Rate but will include no penalty of any kind. The Reorganized Debtors will have the right to pay any unpaid balance on an Allowed Priority Tax Claim in full at any time on or after the Effective Date without premium or penalty of any kind.

D. Classified Claims and Interests

1. Classes of Secured Claims

Secured claims are claims secured by liens on property of the Estates. The following discussion lists all classes containing Debtors' secured prepetition claims and their treatment under this Plan.

a. Class 1 (WFRF's Secured Claims Against the Debtors Under the Prepetition Credit Facility and DIP Facility).

Classification: Class 1 consists of WFRF's Allowed Secured Claims against the Debtors under the Prepetition Credit Facility and the DIP Facility, which Claims are deemed to be fully secured and allowed in full, including interest and legal fees properly chargeable to the Debtors pursuant to the Prepetition Credit Facility and the DIP Facility. As of the Petition Date, the Debtors acknowledge that the aggregate amount of WFRF's Secured Claims was $25,730,089 plus loans, advances, interest, and legal fees accruing from and after the Petition Date. During the course of these Reorganization Cases, pursuant to the DIP Order, WFRF's prepetition secured claim has been repaid in full and WFRF has made, and shall continue to make through the Effective Date, postpetition debtor in possession financing loans. Interest and legal fees shall continue to be charged and paid in accordance with the Prepetition Credit Facility and the DIP Facility until WFRF's Secured Claims have been fully satisfied.

Treatment: WFRF has provided TWC and Big Dog with the legally binding WFRF Commitment Letter to, subject to satisfaction of certain generally customary terms and conditions set forth therein, provide Exit Financing to TWC and Big Dog on substantially the same terms and conditions as the Prepetition Credit Facility (including, but not limited to, such Exit Financing's being secured by a duly perfected, first lien security interest on substantially all of the Reorganized Debtors' assets), except as otherwise provided in the WFRF Commitment Letter. The proceeds of the Exit Financing will be used to refinance the Prepetition Debt and DIP Obligations upon the Effective Date and to provide financing for working capital, issuance of letters of credit, capital expenditures, and other general corporate purposes of the Reorganized Debtors. The refinancing of the Prepetition Debt and DIP Obligations pursuant to the Exit Financing will be in full satisfaction of all Allowed Class 1 Claims held by WFRF and of all legal, equitable, and contractual rights to which WFRF is entitled under the Prepetition Credit Facility or the DIP Facility. On or before the Effective Date, TWC and Big Dog will

deliver to WFRF the Post-Confirmation Credit Agreement and other documents related thereto substantially consistent with the terms and conditions provided in the WFRF Commitment Letter and the Prepetition Credit Facility and in a principal amount equal to the outstanding balance of the DIP Facility (estimated to be approximately $5 million and Reorganized TWC and Reorganized Big Dog will agree to pay WFRF all amounts due under the Post-Confirmation Credit Agreement in accordance with such legal, equitable, and contractual rights as previously existed under the Prepetition Credit Facility. The obligations under the Post-Confirmation Credit Agreement will be guaranteed by Reorganized Holdings and secured by duly perfected, first liens on substantially all of the Reorganized Debtors' assets.

b. Class 2 (The Noteholders' Secured Claims Against the Debtors Under the Notes)

Classification: Class 2 consists of the Noteholders' Allowed Secured Claims against the Debtors under the Notes, which Claims are deemed to be fully secured and allowed in full, including interest and legal fees properly chargeable to the Debtors pursuant to the Notes. As of the Petition Date, the Debtors acknowledge that the aggregate amount of the Noteholders' Secured Claims was $20.21 million**,** which includes principal as well as PIK Interest and interest accrued and owing as of the Petition Date.

Treatment: On the Effective Date, each of the Notes will be Reinstated**;** *provided, however,* that the aggregate principal amount of the Notes will be reduced to $19.5 million, which represents the cancellation of an aggregate of $960,000 in PIK Interest due under the Notes as of the Petition Date, and the principal amount of each Note held by a Noteholder will be reduced by a proportionate amount. The Reinstated Notes will continue to be secured by substantially all of the assets of the Reorganized Debtors~~, but~~ (other than intellectual property relating to Big Dog, and shall also continue to be subject and subordinate in lien priority and right of payment to WFRF's liens and claims under the Exit Facility pursuant to a Subordination Agreement on substantially the same terms and conditions as the existing Subordination Agreement executed by each Noteholder in favor

of WFRF in connection with the Prepetition Credit Facility and otherwise reasonably satisfactory to WFRF. The holders of Allowed Class 2 Claims will also receive an aggregate payment of $423,602 in cash on or before the Distribution Date, as provided for under the Notes, which represents the interest owing under the Notes for the first quarter of 2009 plus interest ~~at 10% that has accrued on that interest~~due under the Notes. The holders of Allowed Class 2 Claims will receive no other distributions or payments under the Plan on account of either principal or accrued and unpaid interest, PIK Interest, or other obligations under the Notes, except as expressly provided for herein.

c. Class 3 (Other Secured Claims)

Classification: Class 3 consists of all Other Secured Claims.

Treatment: Unless the Person holding an Allowed Class 3 Claim and the Debtors or Reorganized Debtors agree otherwise, the Person holding the Claim will receive one or more of the following treatments as soon as reasonably practicable on or after the Effective Date in full satisfaction of its Allowed Class 3 Claim:

a) The Reorganized Debtors will: (1) cure any default, other than those defaults enumerated in Bankruptcy Code Section 365(b)(2), with respect to that Person's Allowed Class 3 Claim, without recognizing any default interest rate or similar penalty or charge, after which no default will exist; (2) reinstate the maturity date of that Person's Allowed Class 3 Claim to the maturity date that existed before any default, without recognizing any default interest rate or similar penalty or charge; (3) compensate that Person for any actual damages incurred due to that Person's reasonable reliance on any provision that entitled that Person to accelerate its Allowed Class 3 Claim's maturity; and (4) leave unaltered all of that Person's other legal, equitable, or contractual rights with respect to its Allowed Class 3 Claim;

b) The Disbursing Agent will convey to the Person holding the Claim the collateral in which that Person has a security interest; or

c) The Disbursing Agent will pay to the Person holding the Claim cash in the amount of that Person's Allowed Class 3 Claim.

The Debtors or Reorganized Debtors may, in their sole discretion, select which of these treatments each Person holding an Allowed Class 3 Claim will receive. If, by 14 days before the Confirmation Hearing Date, the Debtors have not notified a Person which treatment has been selected for that Person's Allowed Class 3 Claim, the Reorganized Debtors will be deemed to have selected the treatment set forth in Subparagraph (a), above.

d. Class 4 (Reclamation Claims).

***Classification*:** Class 4 consists of the Reclamation Claims.

***Treatment*:** Each holder of an allowed ~~Reclamation~~Class 4 Claim shall receive payment in full of its allowed ~~Reclamation~~Class 4 Claim on or before the Distribution Date, plus Postpetition Interest on the face amount of ~~their Allowed Claims~~its Allowed Class 4 Claims through the date of distribution on account of such Allowed Class 4 Claim.

2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in the sections 507(a)(3), (4), (5), and (6) of the Bankruptcy Code and are required to be placed in classes. These types of claims are entitled to priority treatment as follows: the Bankruptcy Code requires that each holder of such a claim receive cash on the Effective Date equal to the allowed amount of such claim.

The Bankruptcy Code provides that holders of Allowed Reclamation Claims and Allowed Unsecured Priority Claims are generally entitled to be paid Postpetition Interest on the face amount of their Allowed Claims before Interest holders receive value under a Chapter 11 plan. Accordingly, the Plan provides for payment of Postpetition Interest on Allowed Claims identified in Classes 4 and 5 on before the Distribution Date.

The following chart lists all classes containing Debtors' 507(a)(3), (4), (5), and (6) priority unsecured claims and their treatment under this Plan (see Exhibit G for more detailed information about each priority unsecured claim).

a. Class 5 (Priority Unsecured Claims).

Classification: Class 5 consists of all Priority Unsecured Claims other than Priority Tax Claims.

Treatment: Unless the Person holding an Allowed Class ~~4~~5 Claim and the Debtors or the Reorganized Debtors agree otherwise, ~~the Person holding the Claim will receive one or more of the following treatments as soon as reasonably practicable on or after the Effective Date in full satisfaction of its Allowed Class 5 Claim:~~

~~a) The Allowed Claim will be Reinstated; or~~

~~b) The~~in writing, the Disbursing Agent will pay to each Person holding an Allowed Class 5 Claim cash equal to the amount of the Allowed Class 5 Claim, plus Postpetition Interest on the face amount of their Allowed Class 5 Claim through the date of distribution on account of such Allowed Claims, on or before the later of: (a) as soon as reasonably practicable on or after the Effective Date; (b) 30 days after the date on which the Claim becomes an Allowed Class 5 Claim; or (c) the date on which the Allowed Class 5 Claim becomes due and payable.

~~The Debtors or Reorganized Debtors may, in their sole discretion, select which of these treatments each Person holding an Allowed Class 5 Claim will receive. To the extent that such Allowed Class 5 Claims constitutes a claim for the value of any goods received by a Debtor within 20 days before the Petitin Date, which goods have been sold to the Debtor in the ordinary course of the Debtor's business, the Allowed Class 5 Claim will receive the treatment set forth in Subparagraph (a), above. If, by 14 days before the Confirmation Hearing Date, the Debtors have not notified a Person which treatment has been selected for that Person's Allowed Class 5 Claim, the Reorganized Debtors will be deemed to have selected the treatment set forth in Subparagraph (a), above.~~

3. Class of General Unsecured Claims

General unsecured claims are unsecured claims not entitled to priority under section 507(a) of the Bankruptcy Code. The following narrative identifies this Plan's treatment of the class containing all of Debtors' general unsecured claims (see Exhibit H for detailed information about each general unsecured claim).

The Bankruptcy Code provides that holders of Allowed General Unsecured Claims are generally entitled to be paid Postpetition Interest on the face amount of their Allowed Claims before Interest holders receive value under a Chapter 11 plan. Accordingly, the Plan provides for payment of Postpetition Interest on Allowed Claims identified in Classes 6 through 8 on before the Distribution Date.

a. Class 6 (General Unsecured Claims-Big Dog).

Classification: Class 6 consists of all non-priority, General Unsecured Claims asserted against Big Dog.

Treatment: Unless the Person holding an Allowed Class 6 Claim and Big Dog or Reorganized Big Dog agree otherwise, ~~the Person holding the Claim will receive one or more of the following treatments as soon as reasonably practicable on or after the Effective Date in full satisfaction of its Allowed Class 6 Claim:~~

~~a) The Allowed Claim will be Reinstated; or~~

~~b) The~~in writing, on or before the Distribution Date, the holders of ~~the~~ Allowed Class 6 ~~Claim~~Claims will receive payment in full in cash on ~~or before the Distribution Date~~account of their Allowed Class 6 Claims, plus Postpetition Interest on the face amount of ~~its Allowed Claims~~their Allowed Class 6 Claims through the date of distribution on account of such Allowed Class 6 Claims.

~~The Big Dog or Reorganized Big Dog may, in their sole discretion, select which of these treatments each Person holding an Allowed Class 6 Claim will receive. To the extent that such Allowed Class 6 Claims constitutes a claim for the value of any goods received by a Debtor within 20 days before the Petition Date, which goods have been sold~~

~~to the Debtor in the ordinary course of the Debtor's business, the Allowed Class 6 Claim will receive the treatment set forth in Subparagraph (a), above. If, by 14 days before the Confirmation Hearing Date, the Debtors have not notified a Person which treatment has been selected for that Person's Allowed Class 6 Claim, Reorganized Big Dog will be deemed to have selected the treatment set forth in Subparagraph (b), above.~~

b. Class 7 (General Unsecured Claims-TWC).

Classification: Class 7 consists of all non-priority, General Unsecured Claims asserted against TWC.

~~***Treatment:*** Unless the Person holding an Allowed Class 7 Claim and TWC or Reorganized TWC agree otherwise, the Person holding the Claim will receive one or more of the following treatments as soon as reasonably practicable on or after the Effective Date in full satisfaction of its Allowed Class 7 Claim:~~

~~a) The Allowed Claim will be Reinstated; or~~

~~b) The holders of the Allowed Class 7 Claim will receive payment in full in cash on or before the Distribution Date, plus Postpetition Interest on the face amount of its Allowed Claims.~~***Treatment:*** Unless the Person holding an Allowed Class 7 Claim and TWC or Reorganized TWC agree otherwise, in writing, on or before the Distribution Date, the holders of Allowed Class 7 Claims will receive payment in full in cash on account of their Allowed Class 7 Claims, plus Postpetition Interest on the face amount of their Allowed Class 7 Claims through the date of distribution on account of such Allowed Class 7 Claims.

~~TWC or Reorganized TWC may, in their sole discretion, select which of these treatments each Person holding an Allowed Class 7 Claim will receive. To the extent that such Allowed Class 7 Claims constitutes a claim for the value of any goods received by a Debtor within 20 days before the Petition Date, which goods have been sold to the Debtor in the ordinary course of the Debtor's business, the Allowed Class 7 Claim will receive the treatment set forth in Subparagraph (a), above. If, by 14 days before the Confirmation Hearing Date, the Debtors have not notified a Person which treatment has been selected~~

~~for that Person's Allowed Class 8 Claim, Reorganized TWC will be deemed to have selected the treatment set forth in Subparagraph (b), above.~~

A settlement agreement has been entered into between Mr. Atchinson and the Debtors pursuant to which, among other things, the Atchinson Claim will be Allowed in the total amount of $1.1 million, of which $100,000 will be paid on or before the Distribution Date, and the balance will be paid in full no later than 12 months following the Effective Date, in exchange for which the Debtors will return to Mr. Atchinson the Natural Comfort trademark and provide him with a partial release of the restrictions under the Debtors' Noncompetition and Nonsolicitation Agreement. The proposed payments to Mr. Atchinson to will be subject to a subordination agreement in favor of WFRF as well as maintenance of a minimum specified level of availability both for a period before and after giving effect to the payment under the Exit Facility. Provided that such settlement agreement is approved by the Bankruptcy Court, the Allowed Atchinson Claim will receive the ~~alternate~~ treatment provided ~~therein~~for in the settlement agreement.

A further settlement agreement has been entered into with respect to the class action entitled *Erin Andrews and Keith Park, on behalf of themselves and all others similarly situated, vs. The Walking Company, Does 1 through 100, Inclusive, Defendants*, filed on December 31, 2008 in Los Angeles Superior Court as Case No. BC404875. The complaint, as subsequently amended, alleged that the Debtors incorrectly calculated employees' overtime pay for certain commissioned employees and that, as a result, such commissioned employees were entitled to wages, interest, and penalties. The parties and their respective counsel have agreed to a settlement of the litigation, which was approved by this Court on March 2, 2010 [Docket #269]. The settlement calls for a total payment of $165,000 to certain claimants as specified therein, with $10,000 carved out for the 3rd party administrator and an additional carve out for the plaintiffs' attorney of not more than $55,000 in fees and not more than $5,000 in costs. The Order approving the settlement calls for the payment to the administrator to be made within 10 days of entry of such Order, with the remaining net settlement to be paid on the Effective Date. Accordingly,

notwithstanding anything to the contrary in the Plan, the claims of the class action claimants will receive the treatment provided for pursuant to the Order approving the class action settlement agreement.

c. Class 8 (General Unsecured Claims-Holdings).

Classification: Class 8 consists of all non-priority, General Unsecured Claims asserted against Holdings.

Treatment: Unless the Person holding an Allowed Class 8 Claim and Holdings or Reorganized Holdings agree otherwise, ~~the Person holding the Claim will receive one or more of the following treatments as soon as reasonably practicable on or after the Effective Date in full satisfaction of its Allowed Class 8 Claim:~~

~~a) The Allowed Claim will be Reinstated; or~~

~~b) The holders of the Allowed Class 8 Claim will receive payment in full in cash on or before the Distribution Date, plus Postpetition Interest on the face amount of its Allowed Claims.Holdings or Reorganized Holdings may, in their sole discretion, select which of these treatments each Person holding an Allowed Class 8 Claim will receive. If, by 14 days before the Confirmation Hearing Date, the Debtors have not notified a Person which treatment has been selected for that Person's Allowed Class 7 Claim, Reorganized Holdings will be deemed to have selected the treatment set forth in Subparagraph (b), above.~~in writing, on or before the Distribution Date, the holders of Allowed Class 8 Claims will receive payment in full in cash on account of their Allowed Class 8 Claims, plus Postpetition Interest on the face amount of their Allowed Class 8 Claims through the date of distribution on account of such Allowed Class 8 Claims.

d. Class 9 (Intercompany Claims)

Classification: Class 9 consists of all Intercompany Claims.

Treatment: Intercompany Claims will be Reinstated under the Plan, without interest, penalty, or premium of any kind.

e. Class 10 (Employee Stock Option Notes)

Classification: Class 10 consists of all Claims asserted against ~~TWC~~Holdings pursuant to the Employee Stock Option Notes.

Treatment: Each ~~Stockholder~~Employee Stock Option Note will be amended to extend its maturity date to the date ~~one year~~18 months from the Effective Date of the Plan. ~~On or before the Distribution Date, Reorganized TWC will pay to each holder of a Stockholder Option Note an amount equal to the unpaid interest (accrued~~All interest accrued under each Employee Stock Option Note prior to the Effective Date will be waived by the holders of such Notes. Commencing from and after the Effective Date interest will resume to accrue on each Employee Stock Option Note at the rate of 7% per annum~~)~~ on the outstanding principal amount ~~of such Person's Stockholder Option Note through the end of the immediately preceding calendar quarter, and interest for each subsequent calendar quarter shall accrued~~thereof and be payable in accordance with the terms of the ~~Stockholder Option Notes.~~Employee Stock Option Notes. If the Company so elects, it may prepay the principal amount of any Employee Stock Option Note within 30 days of the Effective Date at a discount of 20%; *provided, however*, that such prepayments shall not total, in the aggregate, more than $499,000. All other terms of the Notes will remain the same.

4. Class(es) of Interest Holders

Interest holders are the parties who hold ownership interest (*i.e.*, equity interest) in the Debtors. If the Debtors are a corporation, entities holding preferred or common stock in the Debtors are interest holders. If the Debtors are a partnership, the interest holders include both general and limited partners. If the Debtors are individuals, the Debtors are the interest holders. This section identifies the Plan's treatment of the classes of interest holders (see Exhibit I for more detailed information about each interest holder).

a. Class 11 (Holdings' Existing Common Stock).

Classification: Class 11 consists of Holdings' Existing Common Stock, (including, without limitation, any rights to existing warrants and options).

Treatment: Allowed Class 11 Interests will be Reinstated under the Plan; *provided, however,* that such Interests ~~will be subject to dilution on account of the issuance of the New Preferred Stock under the Plan~~may be impaired pursuant to the terms of the Investor Commitment Lette.

b. Class 12 (TWC's Existing Common Stock).

Classification: Class 12 consists of TWC's Existing Common Stock (including, without limitation, any rights to existing warrants and options).

Treatment: Allowed Class 12 Interests will be Reinstated under the Plan.

c. Class 13 (Big Dog's Existing Common Stock).

Classification: Class 13 consists of Big Dog's Existing Common Stock (including, without limitation, any rights to existing warrants and options).

Treatment: Allowed Class 13 Interests will be Reinstated under the Plan.

E. Means of Performing Under the Plan

1. Exit Financing.

WFRF has provided TWC and Big Dog with the WFRF Commitment Letter, pursuant to which WFRF has issued a legally binding commitment to provide Exit Financing, subject to satisfaction of certain generally customary terms and conditions set forth therein, to TWC and Big Dog on substantially the same terms and conditions as the Prepetition Credit Facility (including, but not limited to, such Exit Financing's being secured by a duly perfected, first lien security interest on substantially all of the Reorganized Debtors' assets), except as otherwise provided in the WFRF Commitment Letter. The proceeds of the Exit Financing will be used to refinance the Prepetition Debt and DIP Obligations upon the Effective Date and to provide financing for working capital, issuance of letters of credit, capital expenditures, and other general corporate purposes of the Reorganized Debtors. On or before the Effective Date, TWC and Big Dog will deliver to WFRF the Post-Confirmation Credit Agreement and other documents related thereto substantially consistent with the terms and conditions provided in the WFRF Commitment Letter and the Prepetition Credit Facility and in a principal amount equal to the

outstanding balance of the DIP Facility (estimated to be approximately $5 million, and Reorganized TWC and Reorganized Big Dog will agree to pay WFRF all amounts due under the Post-Confirmation Credit Agreement in accordance with such legal, equitable, and contractual rights as previously existed under the Prepetition Credit Facility. The obligations under the Post-Confirmation Credit Agreement will be guaranteed by Reorganized Holdings and secured by duly perfected, first liens on substantially all of the Reorganized Debtors' assets. The principal terms and conditions of the Exit Financing are set forth below:

Borrowers: The Walking Company and Big Dog USA, Inc. and each of their presently existing or hereafter formed or acquired subsidiaries.

Guarantor: The Walking Company Holdings, Inc.

Agent: Wells Fargo Retail Finance, LLC.

Lender: Wells Fargo Retail Finance, LLC together with any other financial institution becoming a party to the loan documents.

L/C Issuing Bank: Wells Fargo Bank, N.A., or any other financial institution reasonably acceptable to the agent.

Credit Facility: Senior Secured Asset Based Revolving Credit Facility up to $30,000,000 including a $3,000,000 sub-limit for standby and documentary letters of credit.

Purpose: The proceeds will be used to refinance the Debtors' obligations under the Prepetition Credit Facility and the DIP Facility as well as to provide financing for working capital, issuance of letters of credit, capital expenditures, and other general corporate purposes.

Priority and Security: The Exit Financing will be secured by a first priority security interest in all of the Debtors' assets and all proceeds realized thereof.

Closing Date: April 15, 2010 (extendable under certain circumstances to May 7,

2010).

***Maturity*:** Four years from the Closing Date.

Expenses: The Debtors will agree to pay all reasonable costs of WFRF in connection with the facility.

Indemnity: The Debtors agree to indemnify the agent, lenders, and issuing bank.

2. Funding for the Plan

The Plan will be funded by the following: (a) reducing operating expenses by renegotiating its real estate leases; (b) reducing the amount due under its Notes and obtaining certain other economic concessions from the Noteholders and certain other creditors; (c) increasing its capital through a $10 million capital Investment and the $30 million Exit Financing; and (d) cash from operations. The $10 million capital Investment will be made pursuant to a Investor Commitment Letter between the Investors and the Debtors, which $10 million shall be funded into an escrow account no later than 14 days prior to the Confirmation Hearing Date. Of this $10 million investment, approximately $~~7.2~~8.1 million will be used to pay for the Debtors' reorganization costs, including Allowed Administrative and Priority Claim and Allowed General Unsecured Claims to be paid within 30 days of the Plan's Effective Date. Any remaining balance will be retained as working capital for the Reorganized Debtors.

3. Issuance of New Preferred Stock.

The New Preferred Stock will have the attributes set forth in the Investor Commitment Letter attached to the Plan at Exhibit 4. On or before the Distribution Date, the New Preferred Stock will be issued to Investors in accordance with the terms of the Investor Commitment Letter.

4. The Unsecured Claims Reserve.

On the Effective Date, the Debtors shall transfer to a segregated account Cash on account of all Claims in Classes 4, 5, 6, 7, and 8 in an amount to be established following the Claims Bar Date but prior to the occurrence of the Effective Date and to

be determined: (a) jointly by the Debtor, the Committee, the Investors, and WFRF, in their reasonable business judgment, or (b) if the parties are unable to consensually determine such amount, by the Bankruptcy Court. The Debtors reserve the right to seek a claims estimation hearing with respect to any Claims in Classes 4, 6, 7, or 8 to the extent necessary to facilitate the creation of the Unsecured Claims Reserve. The purpose of such Unsecured Claims Reserve is to provide adequate assurance that all Allowed General Unsecured Claims will receive payment in full as contemplated under the Plan. The Cash transferred to the Unsecured Claims Reserve pursuant to the Plan will be free and clear of any and all liens asserted by WFRF and shall be disregarded for purposes of determining availability under the Exit Financing, including, but not limited to, whether the Debtors are able to satisfy the conditions to the Wells Fargo commitment regarding minimum availability.

F. Preservation of Claims and Rights Not Expressly Settled and Released.

1. General Claims and Rights.

As permitted by Bankruptcy Code Section 1123(b)(3), the Reorganized Debtors will be revested with, and may enforce, any claims and rights that the Debtors or the Estates may hold or have against any Person. These claims and rights include, without limitation:

a) Any claims or rights under Bankruptcy Code Sections 544 through 550, any similar state-law provisions, or any similar statute or legal theory;

b) Any rights of equitable subordination or disallowance;

c) Any derivative claims that may be brought by or on behalf of the Debtors or the Estates;

d) Any other claims or rights of any kind that either the Debtors or the Estates may have or hold under any applicable law, including any and all claims or rights referred to in the Schedules; and

e) Any rights to object to, settle, compromise, or resolve Claims or Interests.

The Reorganized Debtors will retain any related recoveries free and clear of all Claims and Interests and may pursue, settle, or abandon such revested claims and rights, in accordance with their best interests.

2. Avoidance Actions.

The Reorganized Debtors will be vested with, and serve as representative of the Estates with respect to, Avoidance Actions. At any time on or before the Exhibit Filing Date, the Debtors may elect not to prosecute any potential Avoidance Action against a Person if the Debtors determine, in good faith, that: (a) the potential Avoidance Action would not be cost-effective to pursue either because the amounts at issue are *de minimis* when compared to the litigation costs, because there are significant potential defenses to the Avoidance Action, or because successful prosecution of the Avoidance Action would otherwise provide no economic benefit to the Estates; or (b) prosecuting the action would interfere with the Reorganized Debtors' business relationship with that Person, and preservation of such business relationship is important to the Reorganized Debtors' operations. ~~The Debtors will file~~If, by 14 days before the deadline for objections to the Plan, the Debtors have not Filed with this Court a Schedule of Avoidance Actions ~~on or before the Exhibit Filing Date indicating which potential Avoidance Actions~~setting forth the Debtors' intent to preserve and pursue a particular Avoidance Action under the Plan, the Reorganized Debtors ~~intend~~will be deemed to have waived the right to preserve ~~and pursue under the Plan, if any~~or pursue such Avoidance Action.

3. Waiver of Preference Claims.

Notwithstanding anything to the contrary herein, the Debtors waive any and all claims arising under Bankruptcy Code section 547.

G. Objections to Claims and Interests

Except as otherwise provided with respect to allowance of Administrative Claims, notice of designation of a Claim or Interest as a Disputed Claim or Interest must be Filed, and must be served upon the Person holding the Claim or Interest, on or before the Claim Objection Deadline, and any such claim objection must be Filed and served upon the

Person holding the Claim or Interest no later than 20 days thereafter. The Claim Objection Deadline is the Business Day that is the later of: (a) 40 days after the Effective Date; or (b) 40 days after the date on which the particular proof of Claim or Interest was Filed.

H. ~~**G.**~~ **The Releases, Waivers & Injunctions**

1. The WFRF Waiver ~~and Injunction~~

In consideration for, among other things, the financial accommodations provided by WFRF during the Reorganization Cases, as well as the Exit Financing, the Debtors, the Committee (to the extent that the Committee has standing to pursue claims against WFRF pursuant to the Final DIP Order), the Noteholders, the Investors, and the Reorganized Debtor~~, and every holder either of a Claim or cause of action against the Debtors—insofar as such Claim or cause of action may be asserted as a derivative claim or right arising out of or relating to property of any of the Debtors' estates—or of a WFRF Claim (as defined, and subject to the terms set forth, below)~~ (collectively, the "WFRF Releasors")—shall be deemed hereunder to have waived, released and relinquished any and all obligations, debts, losses, damages, liabilities, contracts, controversies, agreements, claims, causes of action, and demands of any kind whatsoever at law or in equity, including without limitation claims under Bankruptcy Code sections 510, 541, 542, 544, 545, 547, 548, 549, 550, 551 or 553 or any other provisions of the Bankruptcy Code, direct or indirect, known or unknown, discovered or undiscovered, asserted or unasserted: (a) either against WFRF or—solely in their representative capacity as representatives of WFRF—against each of WFRF's officers, directors, stockholders, partners, agents, employees, consultants, attorneys, accountants, advisors, affiliates and other representatives (the "WFRF Releasees"); and (b) arising out of or relating to the Debtors, Claims against the Debtors, the Reorganization Cases, the Plan, the loans, advances and financial accommodations provided to the Debtors by WFRF, the Debtors' business operations and/or management of the affairs of the Debtors and/or their affiliates, arising at any time on or prior to the Effective Date (the "Released Claims").

~~The WFRF Releasors shall be specifically permanently enjoined and restrained from commencing, conducting or continuing any action or proceeding against the WFRF Releasees upon the Released Claims, including, but not limited to (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the WFRF Releasees or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the WFRF Releasees based upon the Released Claims; (b) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, of any judgment, award, decree or order against the WFRF Releasees or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the WFRF Releasees; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the WFRF Releasees or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the WFRF Releasees; and (d) asserting any right of setoff, subrogation, or recoupment of any kind, directly or indirectly, against any obligation due the WFRF Releasees, any of their property, or any direct or indirect transferee of any property of, or successor in interest to, the WFRF Releasees (collectively, the "WFRF Waiver and Injunction"). Nothing herein shall release any obligations of WFRF under the DIP Financing or the Exit Financing.~~

The Debtors are not aware of any claims or causes of action against WFRF, and in fact believe that WFRF has played a constructive role in these Reorganization Cases. The preceding provisions are designed solely to facilitate WFRF's provision of the Exit Financing.

2. The Noteholder Releases

~~If~~Upon payment in full of the Allowed Claims in Classes 4, and 6 through 8, hereunder, if Class 2 votes to accept the Plan, in consideration of the cancellation of PIK

Interest provided under the Plan with respect to the Noteholders, the Debtors on behalf of the Estate hereby fully and unconditionally release and forever discharge each Noteholder who cast a vote to accept the Plan and their attorneys, agents, advisors, professionals, representatives and assigns (the "Noteholder Releasees'') from and against any and all claims, causes of action, damages, losses, liabilities, obligations, expenses, debts, dues, sums of money, accounts, reckonings, contracts, controversies, known or unknown, fixed or contingent, direct or indirect, accrued or not accrued, liquidated or unliquidated or suspected or unsuspected, in contract or in tort or otherwise, that the Debtors or the Estates ever had~~, now have~~ or ~~hereafter can, shall or may have, or may claim to~~may now have, whether directly or indirectly, or by assignment or succession, against the Noteholder Releasees, or any of them, for, upon, or by reason of any matter relating to the Notes through the Effective Date. This release shall be effective as of the Effective Date.

As noted above, the Debtors are currently evaluating all Avoidance Actions, and at any time on or before the Exhibit Filing Date the Debtors may elect not to prosecute any potential Avoidance Actions. With respect to potential Avoidance Actions against the Noteholders, the Debtors have evaluated whether the Estates may seek to avoid payments to the Noteholders, or the grant of security interests to the Noteholders, as either preferences or fraudulent transfers. As a preliminary matter, Notes in the principal amount of only $3.975 million were issued to Insiders. The remaining Notes, in the principal amount of $14.525 million, were issued to non-Insiders. The Debtors do not believe that there are any grounds to recharacterize or subordinate the Claims of the non-Insider Noteholders, and the preference period with respect to non-Insiders reaches back only 90 days (unlike the 1-year preference period applicable to Insiders). As part of the Debtors' efforts to achieve an out-of-court restructuring and to avoid bankruptcy, they granted certain security interests to the Noteholders in exchange for financial concessions described above. The Debtors may now have grounds to seek to avoid this grant of security interests if the Noteholders are found not to have provided reasonably equivalent value for the financial concessions, or if aspects of the transaction are found to constitute

a preference payment within the meaning of Bankruptcy Code section 547. However, the Noteholders have asserted significant defenses, including that the Debtors may not have been insolvent at the time that many or all of the Noteholder transactions occurred, that reasonably equivalent value was provided to the Debtors, that significant questions exist with respect to the viability of the recharacterization doctrine in the Ninth Circuit, and that there are no equitable grounds on which to subordinate the Notes. And significantly, even if the Debtors were to avoid some or all of the transfers to the Noteholders, the Noteholders would then be entitled to unsecured claims against the Debtors under Bankruptcy Code Section 502(h). Inasmuch as the Plan provides for the payment in full of all Allowed Unsecured Claims against the Estates, there is no economic advantage to pursuing such Avoidance Actions. Instead, the Plan provides that if Class 2 accepts the Plan, thereby cancelling $960,000 of PIK Interest to which the Noteholders would otherwise be entitled, then those Noteholders voting to accept the Plan will receive a release of potential Avoidance Actions as provided for in this Section. The Debtors believe that the proposed release is a reasonable exercise of their business judgment and is in the best interest of their Estates and creditors.

3. The Investor Releases

In consideration for the Capital Investment made by the Investors, the Debtors on behalf of the Estate hereby fully and unconditionally releases and forever discharge the Investors and their attorneys, agents, advisors, professionals, representatives and assigns (the "Investor Releasees'') from and against any and all claims, causes of action, damages, losses, liabilities, obligations, expenses, debts, dues, sums of money, accounts, reckonings, contracts, controversies, known or unknown, fixed or contingent, direct or indirect, accrued or not accrued, liquidated or unliquidated or suspected or unsuspected, in contract or in tort or otherwise, that the Debtors or the Estates ever had, now have or hereafter can, shall or may have, or may claim to have, whether directly or indirectly, or by assignment or succession, against the Investor Releasees, or any of them, for, upon, or by reason of any matter relating to the ownership, management or operation of the

Debtors, or to the extent that any Investor is also a Noteholder, for, upon, or by reason of any matter relating to the Notes, through the Effective Date. This release shall be effective upon the occurrence of both the Effective Date and the date of funding of the Capital Investment pursuant to the Commitment Letter.

The Debtors are not aware of any claims or causes of action against the Investors (except to the extent that an Investor may be a Noteholder, as discussed above), and in fact believes that the Investors have played a constructive role in these Reorganization Cases. The preceding provisions are designed solely to facilitate the Investors' provision of the Capital Investment.

4. The Debtor and Committee Releases

Except to the extent arising from willful misconduct or gross negligence, pursuant to section 1125(e) of the Bankruptcy Code, any and all Claims, liabilities, causes of action, rights, damages, costs and obligations held by any party against the Debtors, the Reorganized Debtors, the Committee and their respective present and former members, ex-officio members, officers, directors, trustees, employees, attorneys, accountants, professionals, agents, designees, successors or assigns, and the Debtors and any Professional Persons (acting in such capacity) employed by any of the foregoing entities, whether known or unknown, matured or contingent, liquidated or unliquidated, existing, arising or accruing, whether or not yet due, in any manner related to the administration of these Reorganization Cases following the Petition Date or the formulation, negotiation, prosecution or implementation of the Plan, solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, confirmation of the Plan, or the administration of the Plan or the property to be distributed under the Plan shall be deemed fully waived, barred, released and discharged in all respects, except in the case of the Debtors or the Reorganized Debtors, as to rights, obligations, duties, claims and responsibilities preserved, created or established by terms of the Plan; *provided, however*, that, notwithstanding the foregoing, this provision does not limit the nature of any objection to the allowance and payment of any Professional Fees or any Insider

compensation. Nothing in this section shall be construed to exculpate any entity from liability for their willful misconduct or gross negligence.

The Debtors are not aware of any claims or causes of action against the Debtors, the Reorganized Debtors, or the Committee in connection with the administration of these Reorganization Cases, and in fact believe that they and the Committee have played a constructive role in these Reorganization Cases. The preceding provisions are designed solely to facilitate the administration of these Reorganization Cases and the confirmation of the Debtors' Plan.

5. California Civil Code Section 1542

Section 1542 of the California Civil Code provides as follows: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

6. Post-confirmation Management

a. The Reorganized Debtors' Directors.

On the Effective Date, the Board of Directors of each of the Reorganized Debtors will consist of: Fred Kayne, Andrew D. Feshbach, and David Walsh. The membership of the Board of Directors will be subject to an election at the Reorganized Debtors' annual meeting in 2010. The Reorganized Debtors' bylaws will provide for cumulative voting for directors. Fred Kayne receives $~~145,000.00~~150,000.00 per year in exchange for his services, which will be ~~his initial compensation~~continued following the Effective Date. Dave Walsh receives $25,000 per year and life insurance, long-term disability, and medical insurance benefits, which will be continued following the Effective Date. And Mr. Feshbach serves without additional compensation beyond what he receives as CEO.

b. The Reorganized Debtors' Officers.

The Reorganized Debtors' officers will initially be the same as the prepetition officers. After the Effective Date, each officer will serve at the pleasure of the Board of Directors, subject to any agreements that each officer may have with the Reorganized

Debtors, which employment agreements will be assumed by the Reorganized Debtors as of the Effective Date. The initial compensation for the Reorganized Debtors' officers will be the same as the compensation currently received by such officers as set forth below. Bonuses, if any, will continue to be entirely within the discretion of the CEO and board.

Executive	Position	Salary
Andrew Feshbach	CEO	$460,000
Anthony J. Wall	Vice President / GC	$375,000
Roberta Morris	CFO	$280,000
Michael Grenley	Senior Vice President – Merchandising	$300,000
Lee Cox	Senior Vice President – Retail Operations	$300,000

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7. Disbursing Agent

The Reorganized Debtors shall act as the disbursing agent for the purpose of making all distributions provided for under the Plan. The Disbursing Agent shall serve without bond and shall receive no compensation for distribution services rendered and expenses incurred pursuant to the Plan.

The Disbursing Agent, unless otherwise specified, will make all distributions required under the Plan. The Reorganized Debtors, as Disbursing Agent, will be vested with full authority to take any action or execute any document relating to a conveyance or other transfer that the Debtors could have taken or executed.

The Disbursing Agent may employ or contract with other Persons to make or assist with these distributions. Any Person who the Reorganized Debtors employ to assist with distributions will receive from the Reorganized Debtors—on terms approved by the Reorganized Debtors but without further Court approval—reasonable compensation for

the distribution services that they render under the Plan and reimbursement of reasonable out-of-pocket expenses that they incur in connection with those services.

I. ~~H.~~ Risk Factors

This Section of the Disclosure Statement identifies a number of risks persons reviewing the Plan should take into account in determining whether to accept or reject the Plan. What follows assumes that the Plan is confirmed and the Effective Date occurs. However, the occurrence of the Effective Date of the Plan is subject to a number of conditions, the failure of any one of which may prevent the Effective Date from occurring at all or delay the occurrence of the Effective Date.

1. Risk Related to Plan Securities

a. The Investor Commitment Letter

The Plan funding contemplates a $10 million ~~capital~~Capital Investment will be made by the Investors pursuant to the Investor Commitment Letter. The terms and conditions of the Investor Commitment Letter are set forth in detail at Exhibit 4 to the Plan. If the Investors do not furnish the capital contemplated under the Investor Commitment Letter, the Debtors may not have the ability to make the distributions contemplated under the Plan.

b. Lack of Market

No established market exists for the Preferred Stock, and currently, there is a very limited market for the Holdings Common Stock. The Debtors do not intend to apply to list the securities on any national securities exchange or have them quoted on an inter-dealer quotation system. Accordingly, the Debtors cannot assure the Investors or the holders of the Holdings Common Stock that any market or liquidity for the Preferred Stock or Holdings Common Stock will develop. If a trading market does not develop or is not maintained, the holders may experience difficulty in re-selling their shares. If a market for the Preferred Stock or Holdings Common Stock does develop, that market may be discontinued at any time. General declines in any such market or declines in a market for

similar securities may adversely affect the liquidity of, and the trading market for, the Preferred Stock or Holdings Common Stock. These declines may adversely affect the liquidity and trading market independent of the Reorganized Debtors' financial performance and prospect.

c. Dividends

The Reorganized Debtors do not anticipate that any dividends will be paid with respect to the Holdings Common Stock. In addition, the covenants in the Exit Financing or any future indebtedness may limit the Reorganized Debtors' ability to pay dividends.

d. Transfer Restrictions for Some Holders

The Preferred Stock will be issued under an exemption from registration under the Securities Act and applicable state securities laws. The Preferred Stock will not be registered under the Securities Act and, therefore, holders of shares of Preferred Stock may only offer or sell the shares pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws or pursuant to an effective registration statement.

The Holdings Common Stock is expected to be free of new restrictions on transfer, except that shares held by Persons that are deemed to be "underwriters." as defined in Bankruptcy Code section 1145, may be subject to certain limitations on transfer described below under "Securities Law matters."

e. Potential Dilution of Holdings Common Stock

The issuance of shares of Preferred Stock to the Investors could result in dilution of the equity interests of the holders of Holdings Common Stock, which could adversely affect the value of the Holding's Common Stock. In addition, the Reorganized Debtors may need to issue additional equity securities in the future in order to successfully implement their business plan, if the company does not achieve its projected results or for other reasons, which could lead to further dilution.

f. The ~~Investors May Have a Significant Degree of Influence or Control over Matters Presented to the Stockholders for a Vote~~ Contemplated Rights Offering

Following the Effective Date, the Reorganized Debtors contemplate making a rights offering to the holders of the Holdings Common Stock, with the proceeds of that offering being used to redeem Preferred Stock. The ~~Holdings Common Stock~~interests to be offered pursuant to the rights offering will constitute 90% of the ~~outstanding~~economic interests in Holdings ~~Common Stock~~ following the offering. The terms and conditions upon which such a rights offering may occur will be as provided in the Investor Commitment Letter and the definitive agreement executed pursuant thereto.

2. General Factors Affecting the Reorganized Debtors

a. General Economic Slowdown

The Reorganized Debtors are exposed to risks related to the recent slowdown in the global economy, which is due to many factors, including decreased consumer confidence, concerns about inflation, and reduced corporate profits and capital spending. If these weak economic conditions continue or worsen, or if a wider global economic recession materializes, the Reorganized Debtors' business, financial condition, and results of operations may be materially and adversely affected.

b. General Risks of the Retail Industry.

The retail industry, and markets within the retail industry in which the Debtors compete, are subject to various risks, including: adverse changes in general economic conditions; evolving consumer preferences; consumer product liability or employee claims; and the availability and expense of liability insurance.

c. Terrorist Attacks

Terrorist attacks in New York, Washington, DC and Pennsylvania on September 11, 2001 disrupted domestic and international commerce. The continued threat of terrorism, ongoing military action, escalating conflicts, including those between Israel and

the Palestinians and India and Pakistan, and heightened security measures in response, may cause significant disruption to commerce throughout the world. The Reorganized Debtors' business and results of operations could be harmed to the extent that this disruption results in reduced traffic in retail malls, a general decrease in spending on consumer footwear, delays in obtaining inventory, or an inability to market effectively and ship product. The Reorganized Debtors are unable to predict whether the threat of terrorism or the responses to it will result in any long-term commercial disruptions or if these activities or responses will have a long-term adverse effect on their business, results of operations, or financial condition.

3. Specific Risks Associated with Purchaser's Future Operations

Each creditor whose distributions will be funded by ongoing operations of the Reorganized Debtors, or seeking adequate assurance of the Reorganized Debtors' ability to perform under its executory contracts and aunexpired leases, should especially analyze and evaluate the risks attendant to the projected operations of the Reorganized Debtors.

a. Competition.

The Debtors operate in highly competitive markets with a significant number of companies of varying size, including divisions or subsidiaries of larger companies. Some competitors have multiple product lines or substantially greater and other resources available to them. Competitive pressures or other factors could cause the Reorgnaized Debtors' products to lose market share or result in significant price erosion, which would have a material adverse effect on the Reorganized Debtors.

b. Reliance on Key Personnel

The Reorganized Debtors depend on key personnel and strong personal relationships with their landlords and suppliers, and the loss of their current personnel or failure to hire and retain additional personnel could affect their business negatively. The Reorganized Debtors depend on their ability to attract and retain highly skilled sales, real estate, and managerial personnel. They believe that their future success in procuring and selling quality products and achieving a competitive position will depend in large part on

their ability to identify, recruit, hire, train, retain, and motivate highly skilled personnel.

The Reorganized Debtors' success and future prospects ultimately depend largely on the continued contribution of their senior management, including Adrew D. Feshbach, their Chief Executive Officer. The Reorganized Debtors might not be able to find qualified replacements for Mr. Feshbach or other members of the management team if their services were no longer available. The loss of services of one of one or more of them could have a material adverse affect on the Debtors' business, financial condition, and results of operations.

c. Tax Consequences

Consummation of the Plan will have significant tax consequences that may adversely affect the Reorganized Debtors, as discussed in greater detail below.

4. Specific Risks Relating to Financial Condition

a. Inherent Uncertainty in Projections

The Projections set forth in Exhibit B attached to this Disclosure Statement cover the Reorganized Debtors' operations through fiscal year 2012. These Projections are based on certain assumptions, including confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of the Reorganized Debtors, industry performance, general business and economic conditions, and other matters, many of which are beyond the Debtors' control and some or all of which may not materialize.

In addition, unanticipated events and circumstances occurring after the date hereof may affect the actual financial results of the Debtors' operations. These variations may be material and may adversely affect Reorganized Debtors' ability to make certain distributions under the Plan or to perform under its real estate leases, even as modified, or they may adversely affect the value of the Reorganized Debtors' stock. Because the actual results achieved throughout the periods covered by the projections may vary from the projected results, perhaps significantly, the projections should not be relied upon as a guaranty that the actual results that will occur.

b. Reorganized Debtors' Business Plans

The Reorganized Debtors may make changes to their business, operations, and current business plans that may have a material impact on the Reorganized Debtors' future results of operations and the value of the Preferred Stock and the Holdings Common Stock.

c. Reorganized Debtors' Operations Might Not Be Profitable Post-Emergence

Notwithstanding significant restructuring actions undertaken by the Debtors in an effort to improve their profitability, the Reorganized Debtors' operations might not be profitable post-reorganization.

d. **Restrictions Imposed by Indebtedness**

The DIP Facility allowed the Debtors to refinance substantial amounts of prepetition debt. Due to this refinancing, the Debtors have significant indebtedness under the DIP Facility. In addition, the DIP Facility includes restrictive financial covenants that require the Debtors to achieve certain levels of EBITDA. On the Effective Date, the Debtors anticipate replacing the DIP Facility with the Exit Financing. The Exit Financing is expected to contain covenants that, among other things and subject to certain exceptions, could require the Reorganized Debtors to satisfy certain financial covenants and could limit the ability of the Reorganized Debtors to (a) incur additional indebtedness, (b) permit subsidiaries to issue debt and/or certain types of preferred stock, (c) pay dividends or make other restricted payments, (d) sell their assets, (e) enter into transactions with certain affiliates, (f) create liens, and (g) enter into sale and leaseback transactions. The ability of the Reorganized Debtors to comply with any of the foregoing provisions may be affected by events beyond their control. The breach of any of these covenants could result in a default or event of default under the Exit Financing, which may result in the entire principal balance becoming immediately due and payable. Accordingly, these anticipated covenants and the potential for adverse affects upon the Reorganized Debtors' ability to finance future operations, potential acquisitions, capital

needs or to engage in business activities that may be in their interest, may, among other things, hinder or prevent the Reorganized Debtors from (a) responding to changing business and economic conditions, (b) engaging in transactions that might otherwise be considered beneficial, and (c) implementing their business plan. The ultimate terms and conditions of the Exit Financing are subject to the conditions of the financial markets at the time a commitment is obtained and the conditions contained in any such commitment for the Exit Financing once obtained. These terms and conditions may contain additional or more restrictive covenants than may currently be available. In addition, the interest rate, fees and other economic terms applicable to the Exit Financing are also subject to the conditions of the financial markets. Such interest rate, fees or other economic terms may be higher or more expensive than those currently available.

J. ~~I.~~ Other Provisions of the Plan

1. Executory Contracts and Unexpired Leases

a. Schedule of Assumed Agreements.

On the Effective Date, the Reorganized Debtors will assume the executory contracts and unexpired leases (except for any agreements that were previously assumed or rejected by Final Order or under Bankruptcy Code Section 365) that are identified on Exhibit 1 to the Plan and Exhibit C hereto (Schedule of Assumed Agreements). On the Effective Date, each of the unexpired leases and executory contracts listed above shall be assumed as obligations of the Reorganized Debtors. The Confirmation Order will constitute a Court order approving the assumption, on the Effective Date, of the executory contracts and unexpired leases then identified on the Schedule of Assumed Agreements.

The Debtors reserve the right to amend the Schedule of Assumed Agreements on or before 14 days before the Confirmation Hearing Date to: (a) delete any executory contract or unexpired lease and provide for its rejection under Section III.A.2; or (b) add any executory contract or unexpired lease and provide for its assumption under this Section. The Debtors will provide notice of any amendment to the Schedule of Assumed

Agreements to the party or parties to the executory contracts or unexpired leases affected by the amendment.

b. Cure Payments.

The Schedule of Assumed Agreements also identifies any amounts that the Debtors believe Bankruptcy Code Sections 365(b)(1)(A) or (B) require that the Reorganized Debtors pay to cure defaults under the executory contracts and unexpired leases to be assumed under the Plan. The Debtors reserve their rights to amend the Schedules of Assumed Agreements, as described in Section III.I.1.a on or before 14 days before the Confirmation Hearing Date to modify the cure amount.

As required by Bankruptcy Code Section 365(b)(1), any and all monetary defaults under each executory contract and unexpired lease to be assumed under Section III.I.1.a will be satisfied in one of the following two ways: (a) the Disbursing Agent will pay to the non-debtor party to the executory contract or unexpired lease the default amount, as set forth on the Schedules of Assumed Agreements, in cash as soon as reasonably practicable on or after the Effective Date; or (b) the Disbursing Agent will satisfy any other terms that are agreed to by both the Debtors and the non-debtor party to any executory contract or unexpired lease that will be assumed.

~~If a dispute arises regarding: (a) the amount of any proposed cure payments; (b) whether the Debtors have provided adequate assurance of future performance under an executory contract or unexpired lease to be assumed; or (c) any other matter pertaining to a proposed assumption, the proposed cure payments will be made within 30 days after entry of a Final Order resolving the dispute and approving the assumption.~~

c. Objections to Assumption or Proposed Cure Payments.

Any Person who is a party to an executory contract or unexpired lease that will be assumed under the Plan and who either contends that the proposed cure payment specified on the Schedules of Assumed Agreements is incorrect or otherwise objects to the contemplated assumption must File with the Court and serve upon the Debtors and the Debtors' Reorganization Counsel a written statement and supporting declaration stating

the basis for its objection. This statement and declaration must be Filed and served by the later of: (a) 21 days before the Confirmation Hearing Date; or (b) 7 days after the Debtors File and serve the Schedule of Assumed Agreements, or any amendment thereto. Any Person who fails to timely File and serve such a statement and declaration will be deemed to waive any and all objections to both the proposed assumption and the proposed cure amount.

d. The Cure Reserve.

To the extent a timely-filed objection contends that the cure amount should be different than the Debtors' proposed cure amount in the Schedules of Assumed Agreements, the undisputed portion of such cure amount will be paid as set forth above. On or before the Effective Date, the Debtors will transfer to a segregated Cure Reserve on account of any disputed cure amounts an amount to be agreed upon by the Debtor, the objecting party, and the Committee prior to the Effective Date, or such other amount as is determined by the Bankruptcy Court to provide adequate assurance that all cure amounts will be paid in full as contemplated under the Plan, which Cash shall be free and clear of any and all liens asserted by WFRF, and shall be disregarded for purposes of determining availability under the Exit Financing, including, but not limited to, whether the Debtors are able to satisfy the conditions to the Wells Fargo commitment regarding minimum availability. Pending resolution of the cure amount, the Debtors will request a status conference with respect to any outstanding objection approximately 30 to 45 days from the Confirmation Hearing Date. If, at the status conference, the objection has not been resolved to the parties' satisfaction, the Court may then, at the status hearing, set a briefing schedule and a further evidentiary or other hearing to resolve the objections on their merits. If a dispute arises regarding: (a) the amount of any proposed cure payments; (b) whether the Debtors have provided adequate assurance of future performance under an executory contract or unexpired lease to be assumed; or (c) any other matter pertaining to a proposed assumption, the proposed cure payments will be made within 30 days after

entry of a Final Order resolving the dispute and approving the assumption or a Final Order consensually resolving such dispute.

2. Rejection of Executory Contracts and Unexpired Leases

a. Schedule of Rejected Agreements.

The Confirmation Order will constitute a Court order approving the rejection, as of the Effective Date, of any and all of the agreements that the Debtors executed before the Petition Date—except for any agreements that were previously assumed or rejected either by a Final Order or under Bankruptcy Code Section 365 or that will be assumed under Section III.I.1.a to the extent that these agreements constitute executory contracts or unexpired leases under Code Section 365. The agreements to be rejected under the Plan include all executory contracts and unexpired leases listed on Exhibit 2 to the Plan and Exhibit D hereto (the Schedule of Rejected Agreements). (Listing an agreement on the Schedule of Rejected Agreements is not an admission that the agreement is an executory contract or unexpired lease or that the Debtors have any liability under the agreement.)

The Debtors reserve the right to amend the Schedule of Rejected Agreements on or before 14 days before the Confirmation Hearing Date to: (a) delete any executory contract or unexpired lease and provide for its assumption and assignment under Section III.I.1.a; or (b) add any executory contract or unexpired lease and provide for its rejection under this Section. The Debtors will provide notice of any amendment to the Schedule of Rejected Agreements to the party or parties to the agreement affected by the amendment. The order confirming the Plan shall constitute an order approving the rejection of the lease or contract. If you are a party to a contract or lease to be rejected and you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, as set forth in the Disclosure Statement.

b. Bar Date for Rejection Damage Claims.

ANY REJECTED-LEASE ADMINISTRATIVE CLAIM OR OTHER CLAIM FOR DAMAGES ARISING FROM THE REJECTION UNDER THE

PLAN OF AN EXECUTORY CONTRACT OR UNEXPIRED LEASE MUST BE FILED WITH THE COURT AND SERVED UPON THE REORGANIZED DEBTORS AND THEIR REORGANIZATION COUNSEL WITHIN 30 DAYS AFTER THE MAILING OF NOTICE OF ENTRY OF THE CONFIRMATION ORDER. Any such damage Claims that are not timely Filed and served will be forever barred and unenforceable against the Debtors, the Reorganized Debtors, the Estates, and their respective property, and Persons holding these Claims will be barred from receiving any distributions under the Plan on account of their Rejected-Lease Administrative Claims or other damage Claims.

3. Postpetition Contracts and Leases.

Except as expressly provided in the Plan or the Confirmation Order, all contracts, leases, and other agreements that the Debtors entered into after the Petition Date will remain in full force and effect after the Confirmation Date and the Effective Date.

4. Changes in Rates Subject to Regulatory Commission Approval

The Debtors are not subject to governmental regulatory commission approval of their rates.

5. Retention of Jurisdiction.

Notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Court will retain jurisdiction over the Debtors' Reorganization Cases after the Effective Date to the fullest extent provided by law, including, without limitation, the jurisdiction to:

a) Allow, disallow, determine, liquidate, classify, establish the priority or secured or unsecured status of, estimate, or limit any Claim or Interest;

b) Grant or deny any and all applications for allowance of compensation or reimbursement of expenses authorized under the Bankruptcy Code or the Plan for periods ending on or before the Effective Date;

c) Resolve any motions pending on the Effective Date to assume, assume and assign, or reject any executory contract or unexpired lease to which the Debtors are parties or with respect to which the Debtors may be liable, and to hear, determine, and if necessary, liquidate any and all Claims arising from such a motion;

d) Ensure that distributions to Persons holding Allowed Claims and Allowed Interests are accomplished under the Plan provisions;

e) Resolve any and all applications, motions, adversary proceedings, and other matters that involve the Debtors and that are pending before the Court on the Effective Date;

f) Enter any orders necessary or appropriate to implement, consummate, or enforce the provisions of the Plan and of all contracts, instruments, releases, and other agreements or documents entered into under or in connection with the Plan;

g) Resolve any and all controversies, suits, or issues that may arise either in connection with the Plan's consummation, interpretation, or enforcement or in connection with any Person's rights or obligations under the Plan;

h) Under Bankruptcy Code Section 1127, modify the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with the Plan or Disclosure Statement;

i) Remedy—in any manner necessary and appropriate to consummate the Plan and to the extent authorized by the Bankruptcy Code—any defect, omission, or inconsistency in any Court order, the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with the Plan or Disclosure Statement;

j) Issue injunctions, enter and implement orders, or take any other actions that may be necessary or appropriate to restrict any Person's interference with the Plan's consummation or enforcement;

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

l) Determine any other matters that may arise in connection with, or relate to, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Disclosure Statement; and

m) Enter an order closing the Debtors' Reorganization Cases.

If the Court abstains from exercising jurisdiction, or is without jurisdiction, over any matter, this Section will not effect, control, prohibit, or limit the exercise of jurisdiction by any other court that has jurisdiction over that matter.

K. ~~J.~~ Tax Consequences of Plan

CREDITORS AND INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS. The following disclosure of possible tax consequences is intended solely for the purpose of alerting readers about possible tax issues this Plan may present to the Debtors. The Plan Proponents CANNOT and DOES NOT represent that the tax consequences contained below are the only tax consequences of the Plan because the Tax Code embodies many complicated rules which make it difficult to state completely and accurately all the tax implications of any action.

1. Federal Income Tax Consequences of the Plan to the Debtors

The following is a general summary of certain significant U.S. federal income tax consequences of the Plan to the Debtors and the Holders of certain Claims and Interests. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury Department regulations promulgated thereunder ("Treasury Regulations"), judicial decisions and current administrative rulings and practice as in effect on the date hereof. These authorities are all subject to change at any time by

legislative, judicial or administrative action, and such change may be applied retroactively in a manner that could adversely affect Holders of Claims or Interests and the Debtors.

Due to a lack of definitive judicial or administrative authority or interpretation, the complexity of the application of the Tax Code and Treasury Regulations to the implementation of the Plan, the possibility of changes in the law, the differences in the nature of various Claims and Interests and the potential for disputes as to legal and factual matters, the tax consequences discussed below are subject to substantial uncertainties.

a. Net Operating Loss Carryover

The Debtors, whose tax returns are prepared on a consolidated basis, have an approximately $17 million net operating loss ("NOL") carryovers from their taxable year ending December 31, 2008 and expect to have additional NOLs for the year ending December 31, 2009. The Debtors believe that under the Plan they may be able to preserve the NOLs. However, there is much uncertainty regarding whether, to what extent, and at what rate, those NOL carryovers will be available~~, and at what rate, those NOL carryovers will be available~~ to the Reorganized Debtors given the change in ownership provisions of the Tax Code. If the amount of the NOLs or the rate at which the Reorganized Debtors can use the NOLs in the future is limited because of such provisions, the value of those Debtors will be reduced accordingly.

b. Realization of Cancellation of Indebtedness Income

Generally, a taxpayer recognizes cancellation of indebtedness ("COD") income upon satisfaction of its outstanding indebtedness for less than its adjusted issue price. The amount of COD income is, in general, the excess of (i) the amount of the indebtedness satisfied, over (ii) the amount of cash and the fair market value of any other consideration (including any new indebtedness issued by the taxpayer or stock of the taxpayer) given in exchange for the indebtedness satisfied.

Each of the Debtors generally must include in its gross income the amount of any COD income that is realized during the taxable year. However, COD income is not included in gross income to a debtor if the discharge occurs in a formal Title 11

bankruptcy case or when the debtor is insolvent (except with respect to certain discharged intercompany debt which is discussed below). Rather the debtor generally must instead, after determining its tax for the taxable year of discharge, reduce its NOLs and any capital losses and loss carryovers first and then, as of the first day of the next taxable year, reduce the tax basis of its assets by the amount of COD income excluded from gross income. Pursuant to applicable Treasury Regulations, the tax basis of the debtor's assets used in its trade or business or held for investment are to be reduced before reducing the tax basis in the debtor's inventory, accounts receivables or notes. As an exception to the order of reduction described above, a taxpayer may elect to reduce its tax basis in its depreciable assets first, then its NOLs. COD income realized from the discharge of intercompany debt is generally not excluded from gross income but rather is offset by a corresponding bad debt deduction to the intercompany lender. The Debtors believe that as a result of the transactions contemplated by the Plan they may realize certain COD income with respect to the reduction in the principal amount of the Notes and as a result of the change in terms (including the waiver of interest) of the Employee Stock Option Notes. Also, if the Debtors elect to prepay those Employee Stock Option Notes at a discount of 20%, it is very uncertain whether any resultant COD income could be excluded from gross income under the favorable rules described above regarding discharges of debt in a Title 11 bankruptcy case.

c. Alternative Minimum Tax

A corporation generally must pay an alternative minimum tax ("AMT") equal to 20 percent of its alternative minimum taxable income ("AMTI") reduced by certain credits allowable for AMT purposes to the extent that the AMT exceeds the tax of the corporation calculated at the normal progressive income tax rates. In calculating the AMTI, a corporation's income and losses are subject to various adjustments. For example, in computing AMTI, a corporation's NOLs are adjusted for the adjustments and preferences under the AMT sections of the Tax Code, and such resulting NOLs cannot be utilized to fully offset the corporation's AMTI (determined before the NOL deduction). However,

COD income that is excluded from taxable income under the rules discussed above similarly is excluded from AMTI.

2. Federal Income Tax Consequences of the Plan to Holders of Claims and Interests

The Debtors will withhold distributions provided under the Plan and required by law to be withheld and will comply with all applicable reporting requirements of the Tax Code. Under the Tax Code, interest, dividends and other "reportable payments" may under certain circumstances be subject to "backup withholding". Backup withholding generally applies if the Holder (i) fails to furnish his social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to report interest or dividends, or (iv) under certain circumstances fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is his correct TIN and the Holder is not subject to backup withholding. Your Ballot contains a place to indicate your TIN. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO SEEK ADVICE FROM HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND, IF APPLICABLE, STATE AND LOCAL TAX CONSEQUENCES.

L. ~~K.~~ Securities Law Matters

The securities law considerations detailed below pertain to the issuance by the Reorganized Debtors of the Preferred Stock, which is to be distributed under the Plan, and to the Holdings' Common Stock which is to be Reinstated under the Plan. The Debtors have not filed, and do not intend to file, a registration statement under the Securities Act or any other federal or state securities laws with respect to the issuance of the Preferred Stock or the Reinstatement of the Holdings Common Stock.

The issuance by the Reorganized Debtors of the Preferred Stock shall be exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") by virtue of the exemption provided in Section 4(2) thereunder. The Debtors are relying on this exemption based upon the representations of each Investor

that: (a) such Investor understands that the Preferred Stock will not been registered under the Securities Act, (b) such Investor has substantial experience in evaluating and investing in private placement transactions of securities so that the Investor is capable of evaluating the merits and risks of the investment in the Preferred Stock and has the capacity to protect its own interests, and can afford the loss of its investment in the Preferred Stock; (c) such Investor is acquiring the Preferred Stock for his or its own account for investment only, and not with a view towards their sale or distribution, (d) such Investor agrees that the Preferred Stock may not be sold or transferred unless such Preferred Stock has subsequently been registered under the Securities Act or an exemption from registration is available and such shares are sold or otherwise transferred in accordance therewith, and (e) such Investor is an "accredited investor" within the meaning of Regulation D under the Securities Act.

The Preferred Stock will constitute "restricted securities" within the meaning of Rule 144 under the Securities Act and may not be sold, pledged or otherwise disposed of unless it is subsequently registered under the Securities Act and registered or qualified under any applicable state securities laws or unless an exemption from registration is available.

The Debtors do not believe that the Reinstatement of the Holdings Common Stock constitutes a transaction subject to the Securities Act. However, if the Reinstatement of the Holdings Common Stock is deemed to be subject to the Securities Act, the Reorganized Debtors, to the extent set forth herein, will rely on Bankruptcy Code section 1145(a) to exempt from registration under the Securities Act and any applicable state securities laws the offer, any deemed issuance and sale of Holdings Common Stock that may be deemed to be made pursuant to the Plan.

Generally, Bankruptcy Code section 1145(a)(1) exempts the offer and sale of securities of the Debtor pursuant to a plan of reorganization from such registration requirements if the following conditions are satisfied: (a) the securities are issued by a debtor (or its affiliate or successor to the debtor) under a plan of reorganization; (b) the

recipients of the securities hold a claim against, an interest in, or a claim for an administrative expense against, the debtor; and (c) the securities are issued entirely in exchange for the recipient's claim against or interest in the debtor, or are issued "principally" in such exchange and "partly for cash or property." The Debtors believe that, for purposes of Bankruptcy Code section 1145(a)(1), the Reorganized Debtors should be deemed a successor to the Debtors because, among other things, the Debtors' assets will be revesting in the Reorganized Debtors in accordance with the provisions of the Plan. The Debtors maintain that any deemed issuance of the Holdings Common Stock to the holders pursuant to the Plan is exempt from the registration requirements under the Securities Act.

The Holdings Common Stock, if deemed distributed pursuant to the exemption provided under Bankruptcy Code section 1145 under the Plan, is deemed to have been sold in a "public offering," and therefore may be resold by the holders thereof without restriction, except for any such holder that is deemed to be an "underwriter" as defined in Code section 1145(b)(1) with respect to the Holdings Common Stock. Generally, Code section 1145(b)(1) defines an "underwriter" as any person who (a) purchases a claim against, or an interest in, a debtor with a view towards distribution of any security to be received in exchange for such claim or interest, (b) offers to sell securities issued pursuant to a bankruptcy plan for the holders of such securities, (c) offers to buy securities issued pursuant to a bankruptcy plan from persons receiving such securities, if the offer to buy is made with a view towards distribution of such securities, or (d) is an issuer within the meaning of Section 2(11) of the Securities Act. Section 2(11) of the Securities Act provides that the term "issuer" includes all persons who, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with, an issuer of securities. Under Rule 405 of Regulation C under the Securities Act, the term "control" means the possession, direct or indirect, of the Reorganized Debtors 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 affiliate or successor) under a plan of reorganization may be deemed to "control" such debtor (and therefore be an underwriter for purposes of Code section 1145), particularly if such management position is coupled with the ownership of a significant percentage of a debtor's (or its affiliate's or successor's) voting securities. Any person that is an "underwriter" but not an "issuer" with respect to an issue of securities is entitled to engage in exempt "ordinary trading transactions" within the meaning of Code section 1145(b).

Holders of such securities who are deemed to be "underwriters" within the meaning of Code section 1145(b)(1) or who may otherwise be deemed to be "underwriters" of, or to exercise "control" over, the Reorganized Debtors within the meaning of Rule 405 of Regulation C under the Securities Act should, assuming all other conditions of Rule 144A are met, be entitled to avail themselves of the safe harbor resale provisions thereof. Rule 144A, promulgated under 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 which are not securities of the same class of securities then listed on a national securities exchange (registered as such under Section 6 of the Exchange Act) or quoted in a U.S. automated interdealer quotation system (e.g., NASDAQ). Under Rule 144A, a "qualified institutional buyer" is defined to include, among other persons (e.g., "dealers" registered as such pursuant to Section 15 of the Exchange Act and "banks" as defined in Section 3(a)(2) of the Securities Act), any entity which purchases securities for its own account or for the account of another qualified institutional buyer and which (in the aggregate) owns and invests on a discretionary basis at least $100 million in the securities of unaffiliated issuers.

Holders of Holdings Common Stock distributed under the Plan who may be deemed to be "underwriters" within the meaning of Code section 1145(b)(1), and persons who are affiliates of the Reorganized Debtors, may also be able to sell such securities pursuant to the safe harbor resale provisions of Rule 144 promulgated under the Securities Act. Generally, such persons may resell their securities if, among other things, the

conditions of such Rule relating to volume limitations, manner of sale, and availability of current information about the issuer, are satisfied. Such persons will not be subject to the holding period requirements of Rule 144 since the securities to be received under the Plan will not be deemed "restricted securities" within the meaning of Rule 144.

IN VIEW OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A HOLDER OF THE HOLDINGS COMMON STOCK MAY BE AN UNDERWRITER OR AN AFFILIATE OF THE REORGANIZED DEBTORS, THE DEBTORS MAKES NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY SUCH PERSON TO TRADE IN ANY HOLDINGS COMMON STOCK DEEMED TO BE DISTRIBUTED PURSUANT TO THE PLAN. ACCORDINGLY, THE DEBTORS RECOMMEND THAT THE PERSONS HOLDING HOLDINGS COMMON STOCK CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

At the Confirmation Hearing, the Debtors will request that the exemption from the requirements of Section 5 of the Securities Act, 15 U.S.C. § 77e, and any state or local law requiring registration or qualification for the offer or sale of a security, provided under Code section 1145 shall apply to any deemed issuance by the Reorganized Debtors of Holdings Preferred Stock and any deemed distribution of such securities by the Reorganized Debtors pursuant to the Plan.

IV.

CONFIRMATION REQUIREMENTS AND PROCEDURES

PERSONS OR ENTITIES CONCERNED WITH CONFIRMATION OF THIS PLAN SHOULD CONSULT WITH THEIR OWN ATTORNEYS BECAUSE THE LAW ON CONFIRMING A PLAN OF REORGANIZATION IS VERY COMPLEX. The following discussion is intended solely for the purpose of alerting readers about basic confirmation issues, which they may wish to consider, as well as certain deadlines for filing claims. The Plan Proponents CANNOT and DOES NOT represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Court can confirm a Plan. Some of the requirements include that the Plan must be proposed in good faith, acceptance of the Plan, whether the Plan pays creditors at least as much as creditors would receive in a Chapter 7 liquidation, and whether the Plan is feasible. These requirements are not the only requirements for confirmation.

A. Who May Vote or Object

1. Who May Object to Confirmation of the Plan

Any party in interest may object to the confirmation of the Plan in the event that their rights are affected, but as explained below not everyone is entitled to vote to accept or reject the Plan.

2. Who May Vote to Accept/Reject the Plan

A creditor or interest holder has a right to vote for or against the Plan if that creditor or interest holder has a claim which is both (1) allowed or allowed for voting purposes and (2) classified in an impaired class.

a. What Is an Allowed Claim/Interest

As noted above, a creditor or interest holder must first have an allowed claim or interest to have the right to vote. Generally, any proof of claim or interest will be allowed, unless a party in interest brings a motion objecting to the claim. When an objection to a claim or interest is filed, the creditor or interest holder holding the claim or interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or interest for voting purposes.

THE DEBTORS HAVE REQUESTED THAT THE BAR DATE FOR FILING A PROOF OF CLAIM IN THIS CASE BE ESTABLISHED AS MARCH 3, 2010. A creditor or interest holder may have an allowed claim or interest even if a proof of claim or interest was not timely filed. A claim is deemed allowed if (1) it is scheduled on the Debtors' schedules and such claim is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest has objected to the claim. An interest is deemed allowed if it is scheduled and no party in interest has objected to the interest.

b. What Is an Impaired Claim/Interest

As noted above, an allowed claim or interest only has the right to vote if it is in a class that is impaired under the Plan. A class is impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class. For example, a class comprised of general unsecured claims is impaired if the Plan fails to pay the members of that class 100% of what they are owed.

In this case, the Plan Proponents believe that classes 2, 10, and 11 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponents believe that classes 1, 3, 4, 5, 6, 7, 8, 9, 12 and 13 are unimpaired and that holders of claims in each of these classes therefore do not have the right to vote to accept or reject the Plan. Parties who dispute the Plan Proponents' characterization of their claim or interest as being impaired or unimpaired may file an objection to the Plan contending that the Plan Proponents have incorrectly characterized the class.

3. Who is Not Entitled to Vote

The following four types of claims are not entitled to vote: (1) claims that have been disallowed; (2) claims in unimpaired classes; (3) claims entitled to priority pursuant to Code sections 507(a)(1), (a)(2), and (a)(8); and (4) claims in classes that do not receive or retain any value under the Plan. Claims in unimpaired classes are not entitled to vote because such classes are deemed to have accepted the Plan. Claims entitled to priority pursuant to Code sections 507(a)(1), (a)(2), and (a)(7) are not entitled to vote because such claims are not placed in classes and they are required to receive certain treatment specified by the Bankruptcy Code. Claims in classes that do not receive or retain any value under the Plan do not vote because such classes are deemed to have rejected the Plan. EVEN IF YOUR CLAIM IS OF THE TYPE DESCRIBED ABOVE, YOU MAY STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

4. Who Can Vote in More Than One Class

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim is entitled to accept or reject a Plan in both capacities by casting one ballot for the secured part of the claim and another ballot for the unsecured claim.

5. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cramdown" on non-accepting classes, as discussed later in Section ~~{~~[IV.A.8.~~}~~].

6. Votes Necessary for a Class to Accept the Plan

A class of claims is considered to have accepted the Plan when more than one-half (1/2) in number and at least two-thirds (2/3) in dollar amount of the claims which actually voted, voted in favor of the Plan. A class of interests is considered to have accepted the Plan when at least two-thirds (2/3) in amount of the interest-holders of such class which actually voted, voted to accept the Plan.

7. Treatment of Nonaccepting Classes

As noted above, even if all impaired classes do not accept the proposed Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner required by the Bankruptcy Code. The process by which nonaccepting classes are forced to be bound by the terms of the Plan is commonly referred to as "cramdown." The Bankruptcy Code allows the Plan to be "crammed down" on nonaccepting classes of claims or interests if it meets all consensual requirements except the voting requirements of 1129(a)(8) and if the Plan does not "discriminate unfairly" and is "fair and equitable" toward each impaired class that has not voted to accept the Plan as referred to in 11 U.S.C. § 1129(b) and applicable case law.

8. Request for Confirmation Despite Nonacceptance by Impaired Class(es)

The party proposing this Plan asks the Court to confirm this Plan by cramdown on impaired Classes 10, 11 and 12 if any of these classes do not vote to accept the Plan.

Please note that the proposed Plan treatment described by this Disclosure Statement cannot be crammed down on the following classes: Class 2. AS A RESULT, IF CLASS 2 DOES NOT VOTE TO ACCEPT THE PLAN, THE PLAN WILL NOT BE CONFIRMED.

B. Liquidation Analysis

Another confirmation requirement is the "Best Interest Test", which requires a liquidation analysis. Under the Best Interest Test, if a claimant or interest holder is in an impaired class and that claimant or interest holder does not vote to accept the Plan, then that claimant or interest holder must receive or retain under the Plan property of a value not less than the amount that such holder would receive or retain if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code.

In a Chapter 7 case, the Debtors' assets are usually sold by a Chapter 7 trustee. Secured creditors are paid first from the sales proceeds of properties on which the secured creditor has a lien. Administrative claims are paid next. Next, unsecured creditors are paid from any remaining sales proceeds, according to their rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claim in relationship to the amount of total allowed unsecured claims. Finally, interest holders receive the balance that remains after all creditors are paid, if any.

For the Court to be able to confirm this Plan, the Court must find that all creditors and interest holders who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a Chapter 7 liquidation. The Plan Proponents maintain that this requirement is met here for the following reasons: The plan provides for the payment of 100% of all Allowed Priority and General Unsecured Claims as well as 100% of all Allowed Administrative Claims and Allowed Reclamation Claims in these

Reorganization. The Plan also provides for WFRF to receive 100% of its Allowed Class 1 Clams and 95% of the Noteholders' Allowed Class 2 Claims. Allowed Secured Claims. Under a Chapter 7 liquidation, unsecured creditors would receive 0% after payment of all administrative expenses/claims and payment of secured claims.

Below is a demonstration, in balance sheet format, that all creditors and interest holders will receive at least as much under the Plan as such creditor or interest holder would receive under a Chapter 7 liquidation. (See Exhibit D for a detailed explanation of how the following assets are valued. This information is provided by the Debtors' financial advisor, The Clear Thinking Group, based on information provided by the Debtors' management.

ASSETS VALUE AT LIQUIDATION VALUES:	
CURRENT ASSETS	
a. Cash on hand	$~~1,415,220~~1,998,000
b. Accounts receivable	~~$3,400,000~~ -
c. Inventories ~~(Net of Recovery Fees & Expenses of $1,659,249)~~	$~~36,050,948~~23,100,000
TOTAL CURRENT ASSETS	$~~40,866,168~~25,098,000
FIXED ASSETS	
a. Furniture, Fixtures & Equipment (Net of Recovery Fee of $350,135)	$1,400,539
TOTAL FIXED ASSETS	$1,400,539
OTHER ASSETS	
a. Intellectual Property (Trademarks, URL's, etc.)	$750,000
TOTAL OTHER ASSETS	$750,000
TOTAL ASSETS AT LIQUIDATION VALUE	**$~~43,016,707~~27,248,539**

Less:	
Secured creditor's recovery[9]	$~~7,136,000~~14,595,000
Secured Bondholders	$~~20,210,390~~19,460,000
Less: Chapter 7 trustee fees and expenses[~~1~~9]	$~~19,853,950~~1,562,420
Less: Chapter 11 administrative expenses	$~~5,291,212~~9,000,000
Less: Chapter 11 503(b)9 claims	$~~4,574,000~~3,082,000
Less: Priority Admin claims	$~~4,098,000~~1,000,000
(1) Balance for unsecured claims	~~<$18,146,845>~~ -0-
(2) Total amt of unsecured claims	$~~45,129,293~~41,856,000

% OF THEIR CLAIMS WHICH UNSECURED CREDITORS WOULD RECEIVE OR RETAIN IN A CH. 7 LIQUIDATION[10]: =0%

% OF THEIR CLAIMS WHICH UNSECURED CREDITORS WILL RECEIVE OR RETAIN UNDER THIS PLAN: =100%

Below is a demonstration, in tabular format, that all creditors and interest holders will receive at least as much under the Plan as such creditor or holder would receive under a Chapter 7 liquidation.

CLAIMS & CLASSES[85]	PAYOUT PERCENTAGE UNDER THE PLAN	PAYOUT PERCENTAGE IN CHAPTER 7 LIQUIDATION
Administrative Claims	100%	98%
Priority Tax Claims	100%	100%
Class 1 – WFRF's Secured	100%	100%

[~~1~~. ~~Includes operating expenses incurred in conducting an orderly liquidation.~~]

[9] Includes operating expenses incurred in conducting an orderly liquidation.

[10] Note: If this percentage is greater than the amount to be paid to the unsecured creditors on a "present value basis" under the Plan, the Plan is not confirmable unless Plan Proponents obtain acceptance by every creditor in the general unsecured class.

CLAIMS & CLASSES[85]	PAYOUT PERCENTAGE UNDER THE PLAN	PAYOUT PERCENTAGE IN CHAPTER 7 LIQUIDATION
Claims Against the Debtors Under the Prepetition Credit Facility and DIP Facility		
Class 2 – The Noteholders' Secured Claims Against the Debtors Under the Notes	95%	0%
Class 3 – Other Secured Claims	100%	0%
Class 4 – Reclamation Claims	100%	100%
Class 5 – Priority Unsecured Claims	100%	100%
Class 6 – Atchinson Unsecured Claims	100%	0%
Class 7 – General Unsecured Claims-Big Dog	100%	0%
Class 8 – General Unsecured Claims-TWC	100%	0%
Class 9 – General Unsecured Claims-Holdings	100%	0%
Class 10 – Intercompany Claims	100%	0%
Class 11 – HoldCo's Existing Common Stock	100%	0%
Class 12 – TWC Existing Common Stock	100%	0%
Class 13 – Big Dogs's Existing Common Stock	100%	0%

C. Feasibility

Another requirement for confirmation involves the feasibility of the Plan, which means 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 under the Plan, unless such liquidation or reorganization is proposed in the Plan.

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtors will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. The Plan Proponents maintain that this aspect of feasibility is satisfied as illustrated here:

Cash Debtors will have on hand by Effective Date	$11,587,500
To Pay: Administrative claims[11]	$ 2,000,000
To Pay: Statutory costs & charges (US Trustee expenses)	$ 32,275
To Pay: Other Plan Payments due on Effective Date[12] [13]	$ ~~7,200,000~~ 8,100,000
Balance after paying these amounts	~~$2,355,225~~$ 1,455,225

~~The sources of the cash Debtors will have on hand by the Effective Date, as shown above are:~~

~~$ Cash in DIP Account now~~

~~+ Additional cash DIP will accumulate from net earnings between now and Effective Date~~

~~+ Borrowing[14]~~

~~+ 10,000,000 Capital Contributions[15]~~

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[11] The Debtors will pay administrative claims of $2,000,000 which $1,587,500 represent professional fees held in Trust. All other administrative claims are being paid in the ordinary course of business

[12] Debtor will pay ~~unsecured and reclamation claims~~Allowed Administrative and Priority Claim and Allowed General Unsecured Claims of approximately $~~7.2~~8.1 million within 30 days of the ~~effective date~~Effective Date, followed by monthly payments over primarily the next 12 months totaling ~ $2.9 million.

[13] Debtor will pay Kayne Anderson Capital Advisors a $2.5 million advisory fee to be paid after the plan effective date. Payment is anticipated to be the earlier of the closing of the rights offering or January 31, 2011.

~~[14] WFRF will provide a $30 million revolving credit facility upon the effective date, of which the Debtor estimates $6 million outstanding before payment of unsecured claims of $7.2 million.~~

~~[15] Debtor will pay Kayne Anderson Capital Advisors a $2.5 million advisory fee to be paid after the plan effective date. Payment is anticipated to be the earlier of the closing of the rights offering or January 31, 2011.~~

~~+ 1,587,500 Other~~ [16]

~~$ 11,587,500 **Total**~~

The proceeds of the Exit Financing will be used to refinance the Debtors' obligations under the Prepetition Credit Facility and the DIP Obligations upon the Effective Date and to provide financing for working capital, issuance of letters of credit, capital expenditures, and other general corporate purposes of the Reorganized Debtors. Borrowings under the Exit Facility will be repaid from the Reorganized Debtors' cash from operations.

The second aspect considers whether the Plan Proponents will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponents have provided financial statements which include both historical and projected financial information. Please refer to Exhibit B for the relevant financial statements YOU ARE ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR FINANCIAL ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE FINANCIAL STATEMENTS.

Exhibit E provides financial projections for the Reorganized Debtors, including projected balanced sheets, cash flow statements, and income and expenses statements (collectively, the "Projections"). The Projections project financial information on an annual basis for fiscal years 2010 - 2012.

The Projections have been prepared by or under the direction of the Debtors. To the best of the Debtors' knowledge, the projections present the expected financial results of the Reorganized Debtors for the periods projected, subject to the various assumptions set forth therein. Readers are urged to review carefully all of the notes and assumptions including the projections and to consult with their own financial and legal advisors regarding the same.

The Projections are based upon a variety of estimates and assumptions, which

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[16] ~~Debtor will pay administrative claims of $2,000,000 which $1,587,500 represent professional fees held in Trust. All other administrative claims are being paid in the ordinary course of business~~

though considered reasonable at the time they were prepared, may not be realized and are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond the Debtors' control. The Debtors caution that no representations can be made as to the accuracy of the projections or Purchaser's ability to achieve the projected or illustrated results. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the projections were prepared, but which were not then known to the Debtors, may differ materially from those assumed. The Projections therefore may not be relied upon as a guarantee or other assurance of the actual results that will occur.

The Debtors do not, as a matter of course, publish their business plans and strategies or projections or their anticipated financial position or results of operations. Accordingly, the Debtors do not intend to, and disclaims any obligation to, furnish updated business plans or projections of Purchaser at any time prior to or after the Effective Date. To assist the reader to understand the Debtors' recent operating performance, Exhibit B includes the Debtors' unaudited income statement and balance sheet as of December 31, 2009.

In summary, the Plan proposes to pay 100% of all unsecured creditors of its claims and 100% of all administrative expenses/claims in the case. As Debtors' financial projections demonstrate, Debtors will have an average cash flow, after paying operating expenses and post-confirmation taxes, of more than $8 million each year for the life of the Plan. The final Plan payment is expected to be paid on May 11, 2011. The Plan Proponents contend that Debtors' financial projections are feasible.

As shown by Debtors' historical financial statements, the Debtors' average yearly cash flow, after paying operating expenses and post-confirmation taxes, in the three years preceding the filing of these Reorganization Cases has been approximately $1.7 million. The Debtors' average monthly cash flow, after paying operating expenses and post-confirmation taxes, during the Reorganization Cases is approximately $450,000.

Furthermore, as discussed at length earlier in the Disclosure Statement at Section II., the Debtors have implemented procedures to decrease costs.

V.

EFFECT OF CONFIRMATION OF PLAN

A. Discharge

This Plan provides that upon the Effective Date, Debtors shall be discharged of liability for payment of debts incurred before confirmation of the Plan, to the extent specified in 11 U.S.C. § 1141. Any liability imposed by the Plan will not be discharged. However, this Plan provides that upon the Effective Date, the Debtors will be discharged of liability for payment of debts incurred before confirmation of the Plan, to the extent specified in 11 U.S.C.§ 1141. The rights afforded under the Plan and the treatment of Claims and Interests under the Plan will be in exchange for—and in complete satisfaction, discharge, and release of—all Claims and Interests of any nature whatsoever (including, without limitation, any interest accrued on Claims from and after the Petition Date except as such interested is expressly provided for under the Plan) against the Debtors, the Reorganized Debtors, the Estates, or their property. Except as otherwise provided in the Plan or the Confirmation Order:

a) On the Effective Date, the Debtors, the Estates, the Reorganized Debtors, and their property will, to the fullest extent permitted by Bankruptcy Code Section 1141, be deemed discharged and released from all Claims and Interests including, without limitation, demands, liabilities, Claims, and Interests that arose before the Confirmation Date and all debts of the kind specified in Bankruptcy Code Sections 502(g), 502(h), or 502(i) regardless of whether: (1) a proof of Claim or proof of Interest based on such a debt or Interest is Filed or deemed Filed; (2) a Claim or Interest based on such a debt or Interest is allowable under Bankruptcy Code Section 502; or (3) the Person holding the Claim or Interest based on such a debt or Interest has accepted the Plan; and

b) All Persons will be precluded from asserting against the Debtors, the Estates, the Reorganized Debtors, or their property any other or further Claims or Interests based upon any act or omission, transaction, or other activity of any kind that occurred before the Confirmation Date.

B. Injunction

Except as otherwise provided in the Plan or the Confirmation Order, commencing on the Effective Date, all Persons who have held, currently hold, or may hold a debt, Claim, or Interest discharged under the Plan are permanently enjoined from taking any of the following actions on account of that discharged debt, Claim, or Interest:

a) Commencing or continuing in any manner any action or other proceeding against the Debtors, the Estates, the Reorganized Debtors, or their property;

b) Enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against the Debtors, the Estates, the Reorganized Debtors, or their property;

c) Creating, perfecting, or enforcing any lien or encumbrance against the Debtors, the Estates, the Reorganized Debtors, or their property;

~~d) Asserting any setoff, subrogation, or recoupment right against any obligation due to the Debtors, the Estates, the Reorganized Debtors, or their property; or~~

d) ~~e)~~ Commencing or continuing any action, in any manner or in any place, which does not comply with or is inconsistent with the Plan provisions or the Confirmation Order.

Any Person injured by a willful violation of this injunction is entitled to recover from the violator actual damages (including, without limitation, costs and attorneys' fees) and, in appropriate circumstances, punitive damages.

C. Revesting of Property in the Debtors

Except as otherwise provided in the Plan or in any agreements contemplated under the Plan, the confirmation of the Plan revests all of the property of the Estates in the

Reorganized Debtors free and clear of all Claims, liens, encumbrances, or Interests. Commencing on the Effective Date, the Reorganized Debtors may operate their business and use, acquire, or dispose of property or settle or compromise Claims or Interests without Court supervision and free of any restrictions imposed by the Bankruptcy Code or Bankruptcy Rules, other than those restrictions that the Plan or Confirmation Order expressly impose on the Reorganized Debtors..

D. Modification of Plan

Subject to the restrictions set forth in Bankruptcy Code Section 1127, the Reorganized Debtors reserve the right to alter, amend, or modify the Plan before it is substantially consummated. The Court may require a new disclosure statement and/or revoting on the Plan if the Proponent modifies the plan before confirmation. The Debtors may also seek to modify the Plan at any time after confirmation so long as (a) the Plan has not been substantially consummated and (b) the Court authorizes the proposed modifications after notice and a hearing.

E. Dissolution of the Committee.

The Committee shall dissolve on the Effective Date, and the members of the Committee and counsel for the Committee will be released and discharged from all rights and duties arising from or related to these Reorganization Cases except for their duties regarding final applications for compensation. Neither the professionals retained by the Committee nor the Committee members will be entitled to compensation or reimbursement of expenses for any services rendered or expenses incurred after the Effective Date, except for services or expenses relating to their applications for compensation that were pending on the Effective Date or that were timely Filed after the Effective Date.

F. Post-Confirmation Status Report

Within 120 days of the entry of the order confirming the Plan, Plan Proponents shall file a status report with the Court explaining what progress has been made toward consummation of the confirmed Plan. The status report shall be served on the United

States Trustee, the twenty largest unsecured creditors, and those parties who have requested special notice. Further status reports shall be filed every 120 days and served on the same entities.

G. Quarterly Fees

Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) to date of confirmation shall be paid to the United States Trustee on or before the effective date of the Plan. Quarterly fees accruing under 28 U.S.C. § 1930(a)(6) after confirmation shall be paid to the United States Trustee in accordance with 28 U.S.C. § 1930(a)(6) until entry of a final decree, or entry of an order of dismissal or conversion to chapter 7.

H. Post-Confirmation Conversion/Dismissal

A creditor or party in interest may bring a motion to convert or dismiss the case under § 1112(b), after the Plan is confirmed, if there is a default in performing the Plan. If the Court orders the case converted to Chapter 7 after the Plan is confirmed, then all property that had been property of the Chapter 11 Estates and that has not been disbursed pursuant to the Plan, will revest in the Chapter 7 Estates. The automatic stay will be reimposed upon the revested property, but only to the extent that relief from stay was not previously authorized by the Court during these Reorganization Cases.

The order confirming the Plan may also be revoked under very limited circumstances. The Court may revoke the order if the order of confirmation was procured by fraud and if the party in interest brings an adversary proceeding to revoke confirmation within 180 days after the entry of the order of confirmation.

I. Final Decree

Once the Estates have been fully administered as referred to in Bankruptcy Rule 3022, the Plan Proponents, or other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the Cases.

VI.

RECOMMENDATION AND CONCLUSION

The Debtors believe that Plan confirmation and implementation are preferable to any feasible alternative because the Plan will provide entities holding Claims and Interests with substantially greater recoveries than the alternatives. **Accordingly, the Debtors urge entities who hold impaired Claims and Interest to vote to accept the Plan by checking the box marked "Accept" on their Ballots and then returning the Ballots to the Debtors as directed in the Plan and Disclosure Statement.**

Dated: February 1, 2010

The Walking Company Holdings, Inc.
The Walking Company, and Big Dog USA, Inc..

By _____
Andrew D. Feshbach
Chief Executive Officer

SUBMITTED BY:

_____
Mette H. Kurth,
Reorganization Counsel for the Debtors
ARENT FOX LLP
555 West Fifth Street, 48th Floor
Los Angeles, CA 90013-1065

Document comparison done by DeltaView on Tuesday, March 09, 2010 1:07:24 PM

Input:	
Document 1	file://C:/Documents and Settings/kirklanl/Desktop/ORIGINAL.doc
Document 2	file://C:/Documents and Settings/kirklanl/Desktop/MODIFIED.doc
Rendering set	Standard no moves

Legend:	
Insertion	
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Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	301
Deletions	298
Moved from	0
Moved to	0
Style change	0
Format changed	1
Total changes	600

In re: THE WALKING COMPANY, a Delaware corporation, d/b/a Alan's Shoes, Footworks, Overland Trading Co., Sole Outdoors, and Martini Shoes; f/k/a TWC Acquisition Corporation; BIG DOG USA, INC., a California corporation, d/b/a Big Dog Sportswear; f/k/a Fortune Dogs, Inc.; and THE WALKING COMPANY HOLDINGS, INC., a Delaware corporation, f/k/a Big Dog Holdings, Inc. and 190th Shelf Corporation, Debtor(s).	CHAPTER: 11 CASE NUMBER: 9:09-bk-15138-RR [Jointly Administered with Case Nos. 9:09-bk-15137-RR and 9:09-bk-15139-RR]

NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: Arent Fox, LLP, 555 West Fifth Street, 48th Floor, Los Angeles, CA 90013-1065

A true and correct copy of the foregoing document described as **NOTICE OF FILING OF REDLINE OF DEBTORS' FIRST AMENDED DISCLOSURE STATEMENT FOR DEBTORS' FIRST AMENDED PLAN (DATED MARCH 9, 2010)** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner indicated below:

I. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On **March 9, 2010** checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

☒ Service information continued on attached page

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL(indicate method for each person or entity served)**:**
On **March 9, 2010** I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☒ Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **March 9, 2010** I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

March 9, 2010	Adriane Lark Madkin	***/s/ Adriane Lark Madkin***
Date	*Type Name*	*Signature*

In re: THE WALKING COMPANY, a Delaware corporation, d/b/a Alan's Shoes, Footworks, Overland Trading Co., Sole Outdoors, and Martini Shoes; f/k/a TWC Acquisition Corporation; BIG DOG USA, INC., a California corporation, d/b/a Big Dog Sportswear; f/k/a Fortune Dogs, Inc.; and THE WALKING COMPANY HOLDINGS, INC., a Delaware corporation, f/k/a Big Dog Holdings, Inc. and 190th Shelf Corporation, Debtor(s).	CHAPTER: 11 CASE NUMBER: 9:09-bk-15138-RR [Jointly Administered with Case Nos. 9:09-bk-15137-RR and 9:09-bk-15139-RR]

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")

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- Kimberly S Winick kwinick@clarktrev.com
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In re: THE WALKING COMPANY, a Delaware corporation, d/b/a Alan's Shoes, Footworks, Overland Trading Co., Sole Outdoors, and Martini Shoes; f/k/a TWC Acquisition Corporation; BIG DOG USA, INC., a California corporation, d/b/a Big Dog Sportswear; f/k/a Fortune Dogs, Inc.; and THE WALKING COMPANY HOLDINGS, INC., a Delaware corporation, f/k/a Big Dog Holdings, Inc. and 190th Shelf Corporation, Debtor(s).	CHAPTER: 11 CASE NUMBER: 9:09-bk-15138-RR [Jointly Administered with Case Nos. 9:09-bk-15137-RR and 9:09-bk-15139-RR]

II. SERVED BY OVERNIGHT OR U.S. MAIL:

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