

EXHIBIT B

DISCLOSURE STATEMENT (BLACKLINE)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

PEEKAY ACQUISITION, LLC, *et al.*,¹

Debtors.

Chapter 11

Case No. 17-11722 (BLS)

(Jointly Administered)

DISCLOSURE STATEMENT FOR THE JOINT PLAN OF LIQUIDATION OF PEEKAY
ACQUISITION, LLC AND ITS AFFILIATED DEBTORS AND
DEBTORS-IN-POSSESSION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY
CODE

~~THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT~~ DISCLOSURE STATEMENT HAS ONLY BEEN APPROVED ON AN INTERIM BASIS BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR INTERIM APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT ON AN INTERIM BASIS OR OTHERWISE. IN ORDER FOR THE DEBTOR TO BEGIN SOLICITATION OF VOTES ON THE PLAN AND TO COMBINE THE HEARINGS ON FINAL APPROVAL OF THE DISCLOSURE STATEMENT AND CONFIRMATION OF THE PLAN. THE BANKRUPTCY COURT WILL CONSIDER APPROVAL OF THIS DISCLOSURE STATEMENT ON A FINAL BASIS AND CONFIRMATION OF THE PLAN ON NOVEMBER 15, 2017. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES NOR IS IT SOLICITING AN OFFER TO BUY ANY SECURITIES. INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO ANA CERTIFIED AUDIT.

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¹ The Debtors, along with the last four digits of each Debtor's tax identification number, are: Peekay, Inc. (3429); Peekay Boutiques, Inc. (7972); Christals Acquisition, LLC (0391); Peekay Acquisition, LLC (0923); Peekay SPA, LLC (2765); ConRev, Inc. (2441); Condom Revolution, Inc. (6019); Charter Smith Sanhueza Retail, Inc. (8963); ZJ Gifts F-2, L.L.C. (3565); ZJ Gifts F-3, L.L.C. (3562); ZJ Gifts F-4, L.L.C. (8006); ZJ Gifts F-5, L.L.C. (7062); ZJ Gifts F-6, L.L.C. (4381); ZJ Gifts I-1, L.L.C. (5099); ZJ Gifts M-3, L.L.C. (8925); ZJ Gifts M-1, L.L.C. (7202); and ZJ Gifts M-2, L.L.C. (6643). The Debtors' corporate headquarters and mailing address is 901 West Main Street, Suite A, Auburn, WA 98001.

| Dated: October ~~4~~19, 2017

*Counsel to the Debtors and
Debtors-In-Possession*

| {1097.002-W~~0048886~~0049002.}

DISCLAIMER

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT² IN CONNECTION WITH THE JOINT PLAN OF LIQUIDATION OF PEEKAY ACQUISITION, LLC AND ITS AFFILIATED DEBTORS AND DEBTORS-IN-POSSESSION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE. THE DEBTORS ARE REQUESTING THAT THE BANKRUPTCY COURT CONFIRM THE PLAN PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE. YOU SHOULD NOT RELY ON OR USE THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR ANY PURPOSE OTHER THAN MAKING AN INFORMED JUDGMENT ABOUT VOTING TO EITHER ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO BANKRUPTCY CODE SECTION 1125 AND BANKRUPTCY RULE 3016(b) AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS DETERMINED THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT MAY CONTAIN “FORWARD LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS “MAY,” “EXPECT,” “ANTICIPATE,” “ESTIMATE” OR “CONTINUE” OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE LIQUIDATION ANALYSIS, DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN INTEREST TO CONSULT WITH THEIR OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED

² Unless otherwise defined herein, capitalized terms contained in this Disclosure Statement shall have the same meanings ascribed to them in either the Plan, the Bankruptcy Code or the Bankruptcy Rules, as applicable.

TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S INTERIM APPROVAL OF THE ADEQUACY OF THE DISCLOSURES CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN OR FINAL APPROVAL OF THE DISCLOSURE STATEMENT.

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

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR POTENTIAL OBJECTION TO A PARTICULAR CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE DEBTORS OR THE BUYER, AS APPLICABLE, MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS BEFORE AND AFTER THE CONFIRMATION OF THE PLAN OR EFFECTIVE DATE THEREOF IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL OR NON-MATERIAL INACCURACY OR OMISSION.

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

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE

FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE FILING OF THIS DISCLOSURE STATEMENT. EACH HOLDER OF A CLAIM OR INTEREST MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN, INCLUDING, WITHOUT LIMITATION, ANY RISK FACTORS CITED HEREIN, IN ORDER TO MAKE AN INFORMED JUDGEMENT ABOUT THE PLAN.

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

EACH HOLDER OF A CLAIM OR INTEREST [IN A VOTING CLASS](#) SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL HEREIN, IN ORDER TO MAKE AN INFORMED JUDGMENT ABOUT VOTING TO EITHER ACCEPT OR REJECT THE PLAN.

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EXHIBITS

EXHIBIT A Chapter 11 Plan

EXHIBIT B Liquidation Analysis

EXECUTIVE SUMMARY

Peekay Acquisition, LLC³ and its affiliated debtors and debtors-in-possession (each a “Debtor” and collectively, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended or modified, the “Bankruptcy Code”) on August 10, 2017 (the “Petition Date”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

On the Petition Date, the Debtors filed, among other pleadings: (i) the *Motion of Debtors for Entry of Orders: (A)(I) Approving Bid Procedures Relating to the Sale of Substantially all of the Debtors’ Assets, (II) Scheduling a Hearing to Consider the Sale, (III) Approving the Form and Manner of Notice of Sale by Auction, (IV) Establishing Notice and Contract Procedures for the Assumption and Assignment of Contracts and Leases, and (V) Granting Related Relief; and (B)(I) Approving Asset Purchase Agreement and Authorizing the Sale of Certain Assets of the Debtors Outside the Ordinary Course of Business, (II) Authorizing the Sale of Assets Free and Clear of all Liens Claims, Encumbrances and Interests, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief* [D.I. 26] (the “Bid Procedures Motion”); and (ii) the *Debtors’ Motion for Interim and Final Orders (I) Authorizing the Use of Cash Collateral; (II) Granting Adequate Protection to the Prepetition Lenders; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief* [D.I. 12] (the “Cash Collateral Motion”).

Prior to the hearing on the Bid Procedures Motion and the final hearing on the Cash Collateral Motion, the Creditors’ Committee (defined below) notified the Debtors of certain concerns and informal objections to the relief sought in the Bid Procedures Motion and Cash Collateral Motion.

On September 6, 2017, the Debtors announced that they had reached a Global Settlement between themselves, the Term A Lenders, the Buyer, and the Creditors’ Committee (each a “Party” and together as the “Parties”). As more fully explained in section 3.6 of this Disclosure Statement and Article V of the Plan, the Global Settlement resolves the Creditors’ Committee’s informal objections and provides, among other things, for a good faith compromise of the claims and Causes of Action asserted or that could have been asserted by and among the Creditors’ Committee, Debtors, Term A Lenders, and TLA Acquisition Corp. (the “Buyer”).⁴ The Global Settlement forms the foundation of the Plan, which provides for the Sale of substantially all of the Debtors’ assets to the Buyer, subject in all respects to higher or otherwise better offers, the Buyer’s assumption of certain liabilities in the Asset Purchase Agreement, provides for certain consideration to be paid by the Buyer directly to certain holders of Claims, and for the consensual and expedited wind-down of the Debtors’ Estates and Confirmation of the Plan. In addition, the Plan, if consummated, will consummate the Term B Loan Claims Settlement described further

³ The Debtors are: Peekay, Inc., Peekay Boutiques, Inc., Christals Acquisition, LLC, Peekay Acquisition, LLC, Peekay SPA, LLC, ConRev, Inc., Condom Revolution, Inc., Charter Smith Sanhueza Retail, Inc., ZJ Gifts F-2, LLC, ZJ Gifts F-3, LLC, ZJ Gifts F-4, LLC, ZJ Gifts F-5, LLC, ZJ Gifts F-6, LLC, ZJ Gifts 1-1, LLC, ZJ Gifts M-3, LLC, ZJ Gifts M-1, LLC, and ZJ Gifts M-2, LLC

⁴ The Buyer is an entity formed by and affiliated with the Term A Lenders.

below, the terms of which were extensively negotiated among the Debtors, the Term A Lenders, the Buyer and the Term B Lenders.

IF THE TRANSACTIONS DESCRIBED IN THE ASSET PURCHASE AGREEMENT AND GLOBAL SETTLEMENT ARE NOT APPROVED AND IMPLEMENTED, THE PLAN MAY NOT BECOME EFFECTIVE AND DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS AND INTERESTS MAY BE DELAYED, SIGNIFICANTLY REDUCED OR ELIMINATED ALTOGETHER.

This Disclosure Statement describes the terms of the Plan, including the treatment of Claims against and Interests in the Debtors. This Executive Summary is intended only to be a summary of the distributions provided for in the Plan. **FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THE DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS THERETO IN THEIR ENTIRETY.**

Under the Plan, Claims against and Interests in the Debtor are divided into nine (9) classes as summarized in the table following this introduction. Certain unclassified Claims will be paid in full in Cash to the extent they become Allowed Claims. Allowed Priority Non-Tax Claims, Other Secured Claims, and Term Loan A Claims will receive a distribution, if any, as summarized in the following table setting forth the classification and treatment of the prepetition Claims and Interests under the Plan and the estimated percentage of recovery of Allowed Claims. The classification and treatment for all Classes is described in more detail in Article III of the Plan.

Estimated Claim and Interest amounts set forth in the following table constitute the Debtors' current estimate after a preliminary review of certain Proofs of Claims filed against the Debtors and the Debtors' books and records. The current aggregate amount of Administrative Claims, Priority Tax Claims, Priority Non-Tax Claims and Other Secured Claims filed against the Debtors or otherwise known, which have not been satisfied, is approximately \$175,172.65. Because the Bar Dates have not expired and the claims reconciliation process is in its earliest stages in these Chapter 11 Cases, the Debtors have not completed a detailed review of all Claims to determine their validity or any possible legal or equitable defenses, including setoff and recoupment, which are available to the estates.

THERE CAN BE NO ASSURANCE THAT THE ACTUAL CLAIM AMOUNTS WILL NOT BE DIFFERENT, AND PERHAPS SIGNIFICANTLY DIFFERENT, FROM THE ESTIMATES SET FORTH HEREIN. The table beginning on the following page is only a summary of the classification of treatment of Claims and Interests under the Plan. Reference should be made to the entire Disclosure Statement and Plan for a complete description and understanding of the classification and treatment of Claims and Interests.

**SUMMARY OF CLASSIFICATION AND TREATMENT
OF CLAIMS AND INTERESTS UNDER THE PLAN**

CLAIMS/INTERESTS & DESCRIPTION	ESTIMATED ALLOWED CLAIMS	TREATMENT	ESTIMATED RECOVERY
Administrative Claims (unclassified)	\$ 0 <u>1,465,590.80</u> ⁵	Unimpaired	Estimated Recovery Percentage: 100% Form of Recovery: Cash
Priority Tax Claims (unclassified)	\$ 4,699,2410.3 <u>74.24</u> ⁶	Unimpaired	Estimated Recovery Percentage: 100% Form of Recovery: Cash
Priority Non-Tax Claims (Class 1)	\$ 175,172,540.7 <u>39.34</u> ⁷	Unimpaired	Estimated Recovery Percentage: 100% Form of Recovery: Cash
Other Secured Claims (Class 2)	\$0	Unimpaired	Estimated Recovery Percentage: 100% Form of Recovery: Cash
Term Loan A Claims (Class 3)	\$35,494,500	Impaired – Entitled to vote	Estimated Recovery Percentage: Unknown Form of Recovery: if the Sale Transaction is consummated, the value of the Credit Bid; if the Sale Transaction is not consummated, the cash or other consideration generated from the sale of the Debtors' assets.
Term Loan B Claims (Class 4)	\$16,466,837	Impaired – Deemed to Reject	Estimated Recovery Percentage: 0% Form of Recovery: None
Trade Vendor & Seller Note Claims (Class 5)	\$20,486,660	Impaired – Deemed to Reject	Estimated Recovery Percentage: 0% Form of Recovery: None
General Unsecured Claims (Class 6)	\$492,956	Impaired – Deemed to Reject	Estimated Recovery Percentage: 0% Form of Recovery: None
Intercompany Claims (Class 7)	N/A	Impaired – Deemed to Reject	Estimated Recovery Percentage: N/A Form of Recovery: None
Subordinated Claims (Class 8)	N/A	Impaired – Deemed to Reject	Estimated Recovery Percentage: N/A Form of Recovery: None

⁵ [Administrative Claims consist of \\$1,029,334 in estimated Professional Fee Claims and \\$436,256.81 in Section 503\(b\)\(9\) Claims.](#)

⁶ [The amount listed for Priority Tax Claims represents the amount outstanding that was due and owing as of the Petition Date. The Debtors estimate that no Priority Tax Claims will be outstanding on the Effective Date as all such amounts are scheduled to be paid in the ordinary course.](#)

⁷ [Priority Non-Tax Claims include certain Claims of Employees in the amount of \\$175,468.65 and Priority Claims of holders of Claims for Consumer Liabilities in the estimated amount of \\$365,270.69. The Claims for Consumer Liabilities in the estimated amount of \\$365,270.69 will be assumed in full by the Buyer pursuant to the Asset Purchase Agreement and Global Settlement.](#)

Interests (Class 9)	N/A	Impaired – Deemed to Reject	Estimated Recovery Percentage: N/A Form of Recovery: None
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I. INTRODUCTION

1.1 PURPOSE OF THE DISCLOSURE STATEMENT

The Debtors provide this Disclosure Statement to the Office of the United States Trustee and to all of the Debtors' known Creditors and Interest Holders pursuant to Bankruptcy Code section 1125(b) for the purpose of seeking confirmation of the Plan. A copy of the Plan is attached hereto as **Exhibit A**. By Order dated October ~~14~~, 19, 2017, the Disclosure Statement received interim approval by the Bankruptcy Court. A hearing on the final approval of the Disclosure Statement and confirmation of the Plan will be held on November ~~14~~, 15, 2017 at ~~10:00~~ 9:00 a.m. (Eastern Time).

The Debtors strongly urge you to read this Disclosure Statement in its entirety before making any judgment about voting to either accept or reject the Plan because the Disclosure Statement contains a summary of the Plan and important information concerning the Debtors' history and operations. The Disclosure Statement also provides information regarding alternatives to the Plan. Summaries of the Plan are included herein for the purpose of seeking confirmation of the Plan and soliciting acceptances of the Plan and may not be relied upon for any purpose other than to make a judgment with respect to voting to either accept or reject the Plan.

PLEASE NOTE THAT MUCH OF THE INFORMATION CONTAINED HEREIN HAS BEEN TAKEN, IN WHOLE OR IN PART, FROM INFORMATION CONTAINED IN THE DEBTORS' BOOKS AND RECORDS. STATEMENTS MADE IN THE DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, AND THE EXHIBITS ANNEXED TO THE PLAN. ALTHOUGH THE DEBTORS HAVE ATTEMPTED TO BE ACCURATE IN ALL MATERIAL RESPECTS, THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT ALL OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS WITHOUT ERROR. UNLESS OTHERWISE INDICATED, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

NO REPRESENTATION CONCERNING THE DEBTORS OR THE VALUE OF THE DEBTORS' ASSETS HAS BEEN ~~AUTHORIZED~~ APPROVED ON AND INTERIM OR FINAL BASIS BY THE BANKRUPTCY COURT OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT OR ANY OTHER DISCLOSURE STATEMENT APPROVED BY THE BANKRUPTCY COURT. THE DEBTORS ARE NOT RESPONSIBLE FOR ANY INFORMATION, REPRESENTATION OR INDUCEMENT MADE TO OBTAIN YOUR ACCEPTANCE, WHICH IS OTHER THAN, OR INCONSISTENT WITH, INFORMATION CONTAINED HEREIN AND IN THE PLAN.

1.2 CONFIRMATION OF THE PLAN

1.2.1 Requirements. The requirements for Confirmation of the Plan are set forth in detail in Bankruptcy Code Section 1129. The following summarizes some of the pertinent requirements:

(a) **Acceptance by Impaired Classes.** Except to the extent that the cram down provisions of Bankruptcy Code section 1129(b) may be invoked, each Class of Claims and each Class of Interests must either accept the Plan or be deemed to accept the Plan because the Claims or Interests of such Class are not Impaired.

(b) **Feasibility.** The Bankruptcy Court is required to find that the Plan is likely to be implemented and that parties required to perform or pay monies under the Plan will be able to do so.

(c) **The “Best Interest” Test.** The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must find that the Plan is in the “best interest” of all Creditors and Interest holders. To satisfy this requirement, the Bankruptcy Court must determine that each holder of a Claim against, or Interest in, the Debtors: (i) has accepted the Plan; or (ii) will receive or retain under the Plan money or other property which, as of the Effective Date, has a value not less than the amount such holder would receive if the Debtors’ property was liquidated under Chapter 7 of the Bankruptcy Code on such date. As described in more detail below, in considering whether the Plan is in the best interests of Creditors and Interest holders, the Debtors and their professionals created a liquidation analysis (the “Liquidation Analysis”), a copy of which is attached hereto as **Exhibit B**.

(d) **“Cramdown” Provisions.** The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called “cramdown” provisions are set forth in section 1129(b) of the Bankruptcy Code. A plan may be confirmed under the cramdown provisions if, in addition to satisfying all other requirements of Bankruptcy Code section 1129(a), it (i) “does not discriminate unfairly,” and (ii) is “fair and equitable,” with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. As used by the Bankruptcy Code, the phrases “discriminate unfairly” and “fair and equitable” have specific meanings unique to bankruptcy law.

In general, the cramdown standard requires that a dissenting class receive full compensation for its allowed claim or interests before any junior class receives any distribution. More specifically, Bankruptcy Code section 1129(b) provides that a plan can be confirmed under that section if: (a) with respect to a secured class, (i) the holders of such claims retain the liens securing such claims to the extent of the allowed amount of such claims and that each holder of a claim of such class receive deferred cash payments equaling the allowed amount of such claim as of the plan’s effective date or (ii) such holders realize the indubitable equivalent of such claims; (b) with respect to an unsecured claim, either (i) the impaired unsecured creditor must receive property of a value equal to the amount of its allowed claim, or (ii) the holders of claims and interests that are junior to the claims of the dissenting class may not receive any property under the plan; or (c) with respect to a class of interests, either (i) each holder of an interest of such class must receive or retain on account of such interest property of a value, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest, or (ii) the holder

of any interest that is junior to the interest of such class may not receive or retain any property on account of such junior interest.

The “fair and equitable” standard, also known as the “absolute priority rule,” requires, among other things, that unless a dissenting unsecured class of claims or a class of interests receives full compensation for its allowed claims or allowed interests, no holder of claims or interests in any junior class may receive or retain any property on account of such claims or interests. With respect to a dissenting class of secured claims, the “fair and equitable” standard requires, among other things, that holders either (i) retain their liens and receive deferred cash payments with a value as of the plan’s effective date equal to the value of their interest in property of the estate, or (ii) otherwise receive the indubitable equivalent of these secured claims. The “fair and equitable” standard has also been interpreted to prohibit any class senior to a dissenting class from receiving under a plan more than 100% of its allowed claims. The requirement that a plan not “discriminate unfairly” means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank.

Because certain Classes are deemed to have rejected the Plan, the Debtors will request confirmation of the Plan, as it may be modified from time to time, under the “cramdown” provisions of section 1129(b) of the Bankruptcy Code. The Debtors will also seek confirmation of the Plan over the objection of individual holders of Claims who are members of an accepting Class.

The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan, any exhibit or schedules thereto, or any Plan document in order to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary. The Debtors believe that the Plan will satisfy the “cramdown” requirements of section 1129(b) of the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will determine that the Plan meets the requirements of section 1129(b) of the Bankruptcy Code.

1.2.2 Procedure. To confirm the Plan, the Bankruptcy Court must hold a hearing to determine whether the Plan meets the requirements of Bankruptcy Code section 1129. The Bankruptcy Court has set November ~~14~~, 15, 2017 at ~~10:00~~ 9:00 a.m. (Eastern Time) for the combined hearing for final approval of this Disclosure Statement and confirmation of the Plan (the “Confirmation Hearing”).

1.2.3 Objections to Final Approval of the Disclosure Statement and Confirmation of the Plan. Any party-in-interest may object to the final approval of the Disclosure Statement and/or to confirmation of the Plan and appear at the Confirmation Hearing to pursue any such objection. The Court has set November ~~14~~, 10, 2017, at 4:00 p.m. (Eastern Time), as the deadline for filing and serving any such objections to the final approval of the Disclosure Statement and/or to confirmation of the Plan. Any objections must be filed with the Bankruptcy Court at the following address:

U.S. Bankruptcy Court for the District of Delaware
824 Market Street, Third Floor
Wilmington, Delaware 19801

With a copy served upon counsel for the Debtors at the following address:

Adam G. Landis, Esq.
Matthew B. McGuire, Esq.
Joseph D. Wright, Esq.
LANDIS RATH & COBB LLP
919 Market Street, Suite 1800
Wilmington, DE 19801

1.2.4 Effect of Confirmation. Except as otherwise provided in the Plan, Asset Purchase Agreement or in the Confirmation Order, Confirmation vests title to all property of the Debtors' Estates in the Buyer to the same extent such Assets were held by the Debtors, free and clear of all Claims, Liens, charges, encumbrances, rights and Interests of creditors and interest holders, subject to the provisions of the Plan and the Global Settlement. Confirmation serves to make the Plan binding upon the Debtors, all Creditors, Interest holders and other parties-in-interest, regardless of whether they cast a ballot ("Ballot") to accept or reject the Plan.

1.3 VOTING ON THE PLAN.

1.3.1 Impaired Claims or Interests. Pursuant to Bankruptcy Code section 1126, only the holders of Claims or Interests in Classes "Impaired" by the Plan may vote on the Plan. Pursuant to Bankruptcy Code section 1124, a Class of Claims or Interests may be "Impaired" if the Plan alters the legal, equitable or contractual rights of the holders of such Claims or Interests treated in such Class. The holders of Claims or Interests not Impaired by the Plan are deemed to accept the Plan and do not have the right to vote on the Plan. The holders of Claims or Interests in any Class which will not receive any payment or distribution or retain any property pursuant to the Plan are deemed to reject the Plan, unless they have agreed otherwise, and, in either event, do not have the right to vote. This Disclosure Statement is being distributed for informational purposes to all Creditors, the Debtors' Interest holders and parties-in-interest without regard to any such party's right to vote.

1.3.2 Eligibility. In order to vote on the Plan, a Creditor or Interest holder must have timely filed or been assigned a timely filed proof of Claim, unless its Claim or Interest is scheduled by the Debtors and is not identified as disputed, unliquidated or contingent on the Debtors' Schedules of Assets and Liabilities (as amended, the "Schedules"). Creditors or Interest holders having a Claim or Interest in more than one Class that is entitled to vote may vote in each Class in which they hold a separate Claim or Interest by casting a Ballot in each Class.

1.3.3 Binding Effect. Whether a Creditor or Interest holder votes on the Plan or not, such Person will be bound by the terms of the Plan if the Plan is confirmed by the Bankruptcy Court. Absent some affirmative act constituting a vote, a Creditor or Interest holder will not be included in the vote: (i) for purposes of accepting or rejecting the Plan or (ii) for purposes of determining the number of Persons voting on the Plan.

1.3.4 Procedure. Members of Class 3 (Term A Loan Claims) may vote to accept or reject the Plan. Members of Class 1 (Priority Non-Tax Claims), Class 2 (Other Secured Claims) are unimpaired and deemed to accept the Plan. Members of Class 4 (Term B Loan Claims), Class 5 (Trade Vendor & Seller Note Claims), Class 6 (General Unsecured Claims), Class 7 (Intercompany Claims), Class 8 (Subordinated Claims) and Class 9 (Interests) are deemed to reject the Plan. Accordingly, holders of Claims or Interests in Classes 1, 2, 4, 5, 6, 7, 8 and 9 are not entitled to vote on the Plan. Only members of Class 3 (Term A Loan Claims) may vote to accept or reject the Plan. In order for your vote to count, you must complete, date,

sign and properly mail the enclosed Ballot (please note that envelopes have been included with the Ballot) to:

Peekay Acquisition, LLC Ballot Processing
c/o Rust Omni
5955 DeSoto Ave., Suite 100
Woodland Hills, CA 91367

BALLOTS SENT BY FACSIMILE, TELECOPY, ELECTRONIC MAIL OR OTHER FORM OF ELECTRONIC TRANSMISSION ARE NOT ALLOWED AND WILL NOT BE COUNTED.

Pursuant to Bankruptcy Rule 3017, the Bankruptcy Court has ordered that original Ballots for the acceptance or rejection of the Plan must be received by mail or overnight delivery by Rust/Omni at the address set forth above on or before 11:59 p.m. (Eastern Time) on November ~~11~~, 10, 2017. Once you have delivered your Ballot, you may not change your vote, except for cause shown to the Bankruptcy Court after notice and hearing.

Any Ballot received that is incomplete in anyway shall be deemed to be cast as follows:

(a) Ballots received that do not evidence the amount or evidence an incorrect amount of such Creditor's Claim or Interest holder's Interest, shall be completed or corrected, as the case may be, based upon the Schedules filed by the Debtors if no proof of Claim or proof of Interest has been filed by such Creditor or Interest holder, or based upon timely filed proofs of Claim or proofs of Interest, and counted as a vote to accept or reject the Plan;

(b) Ballots received that do not identify the Creditor or the Interest holder, whether or not signed by the Creditor or Interest holder, shall not be counted as a vote to accept or reject the Plan;

(c) Ballots received that do not reflect in which Class such Ballot is cast or incorrectly classify such Creditor's Claim or Interest holder's Interest and that are otherwise properly completed shall be completed or corrected, as the case may be, based upon the Schedules filed by the Debtors if no proof of Claim or proof of Interest has been filed by such Creditor or Interest holder, or based upon timely filed proofs of Claim or proofs of Interest, and counted as a vote to accept or reject the Plan.

1.4 ACCEPTANCE OF THE PLAN

1.4.1 Creditor and Interest Holder Acceptance. As a Creditor and/or Interest holder in a voting class, your acceptance of the Plan is important. In order for the Plan to be accepted by an Impaired Class of Claims, a majority in number and two-thirds in dollar amount of the Claims voting (of each Impaired Class of Claims) must accept the Plan, or the Plan must qualify for cramdown of any non-accepting Class of Claims pursuant to Bankruptcy Code section 1129(b). At least one impaired Class of Creditors, excluding the votes of insiders, must actually vote to accept the Plan. To the extent you hold a claim in Class 3 (Term A Loan Claims), you are urged to complete, date, sign and promptly mail the enclosed Ballot. Please be sure to complete the Ballot properly and legibly identify the exact amount of your Claim and the name of the Creditor.

1.4.2 Cramdown Election. As long as at least one Impaired Class votes to accept the Plan, excluding the votes of insiders, the Debtors may attempt to invoke the “cramdown” provisions. Cramdown may be an available remedy, because the Debtors believe that, with respect to each Impaired Class, the Plan is fair and equitable within the meaning of Bankruptcy Code section 1129(b)(2) and does not discriminate unfairly.

1.5 SOURCES OF INFORMATION

The information contained in this Disclosure Statement has been obtained from the Debtors’ books and records and from pleadings filed by the Debtors and other parties-in-interest. Every reasonable effort has been made to present accurate information and such information is believed to be correct as of the date hereof. Any value given as to the Assets of the Debtors is based upon an estimation of such value. You are strongly urged to consult with your financial, legal and tax advisors to understand fully the Plan and the Disclosure Statement.

The financial information contained in this Disclosure Statement is given as of the date hereof, unless otherwise specified. The delivery of this Disclosure Statement does not, under any circumstance, imply that there has been no change in the facts set forth herein since such date. This Disclosure Statement is intended, among other things, to summarize the Plan and must be read in conjunction with the Plan and its exhibits, if any. If any conflicts exist between the Plan and the Disclosure Statement, the terms of the Plan shall control.

1.6 ADDITIONAL INFORMATION

Should you have any questions regarding the Plan or this Disclosure Statement, or require clarification of any information presented herein, please contact the following attorneys for the Debtors:

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Matthew B. McGuire, Esq.
Joseph D. Wright, Esq.
LANDIS RATH & COBB LLP
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Wilmington, DE 19801
(302) 467-4400
wright@lrclaw.com

II. THE DEBTORS

2.1 DESCRIPTION OF THE DEBTORS AND THE DEBTORS’ BUSINESS

Headquartered in Auburn, Washington, the Debtors are a leading specialty retailer of a broad selection of lingerie, sexual health and wellness products and accessories. The Debtors’ mission is to provide a warm and welcoming retail environment for individuals and couples to explore sexual wellness. The Debtors currently own and operate forty-six retail stores across six states under the brand names “Christals,” “Lovers,” “ConRev” and “A Touch of Romance.”

Peekay was founded in 1982 in Auburn, Washington by a mother and daughter team with a focus on creating a comfortable and inviting store environment catering to women and couples.

The company has created unique retail environments that foster an attitude of acceptance of its products and allows customers to obtain education on sexual wellness topics.

The Debtors offer a broad selection of products consisting of over five thousand (5,000) stock keeping units (“SKUs”). The Debtors’ retail locations are designed and built to create a visually inspiring environment and the company employs highly trained, knowledgeable sales staff, which ensures that customers leave stores enlightened by new information, great ideas and fun products.

The Debtors are a specialty retailer at the forefront of the growing mainstream acceptance of sexual health and wellness products. The company participates in the health, wellness and lifestyle industry, which includes beauty and anti-aging products, fitness and exercise, mind/body products and experiences, healthy eating, nutrition and weight loss sales. It also includes over the counter drugs, complementary and alternative medicines and devices.

On a global basis, this industry is estimated at over one trillion dollars according to Women’s Marketing. Product categories within the sexual health and wellness continuum, which the Debtors offer in their stores and on their website, include personal care products (including lubricants, lotions and moisturizers), nutritional supplements, gifts, contraceptives, and sexual products and devices. The rapid growth of this consumer sector is driven by the influence that the aging of the population of baby boomers has on the current consumer market and the increased pursuit across all ages of activities and behaviors that promote longevity and quality of life.

The increased acceptance of this sector by shoppers of all ages, especially women, has led retailers that serve the health and wellness segment to introduce a wider assortment of products. Sexual health and wellness products can be found on the shelves and are available on websites of some of America’s most prominent retailers, including Walmart and Amazon. One important factor in the growing mainstream acceptance of sexual wellness products is the change in attitudes in major publications. National periodicals such as Men’s Health, Rolling Stone, Redbook, Maxim and Cosmopolitan regularly feature articles and accept advertising for vendors such as Trojan, Durex, Liberator and Lelo. Cable television has also begun to echo the trends of sexual health and wellness in advertising by Trojan, Durex and Adam and Eve and programming such as Sex and the City, Two Broke Girls, Two and a Half Men, Dr. Oz, and Oprah.

The Debtors also participate in the intimate apparel market, which is estimated at approximately \$13 billion annually. The company’s stores carry a wide selection of lingerie, body stockings, undergarments and other soft goods, similar to those offered by Victoria’s Secret, Nordstrom and Macy’s.

The Debtors’ stores are designed and built to appeal to a mainstream customer base. Exterior signage is designed, constructed and installed so that the signs and logos are visible, well-lit and easy to read. The entrance to retail stores typically consists of glass windows featuring high-end lingerie displays coordinated by the company’s corporate visual merchandising department. Every detail of the Debtors’ stores is intended to convey a welcoming, open and friendly shopping environment.

The Debtors recently developed a brand new retail store design with the assistance of an all-female design team. The new store layout is designed to flourish in high-end shopping centers with a fun, welcoming and open atmosphere. The design incorporates energetic colors and dynamic lighting, which is aligned with the shopping preferences of today's mainstream women and couples. The new design prototype recently was rolled out at five locations in California.

The Debtors employ a five-member merchandising team responsible for product sourcing, vendor negotiations and relationship management, purchasing, planning and analysis, as well as visual merchandising. The Debtors use "trend-right" in-store displays, which are custom-made, feature tables designed to showcase elegant collections of seasonal merchandise. The company's merchandising philosophy is focused on understanding its customer's needs.

The Debtors offer their customers a variety of wellness- and sexual health-related products. Products are designed for women and couples to enhance their sexual satisfaction and meet their broad range of expectations. The product offering ranges from entry-level price points to premium, high-end brands. The Debtors have over five thousand (5,000) SKUs available ranging from \$1 condoms to \$265 vibrators. Seasonally, new products represent 20-25% of the overall product assortment.

During the 2015 fiscal year, the company's breakdown of sales by product category was as follows:

- Sales of wellness products constituted approximately forty seven percent (47%) of sales. These items include massagers, vibrators, personal care, and restraints, including brands such as Jimmy Jane, Pipedream, We Vibe and Sutera™ Toys.
- Sales of gift items and essentials constituted approximately thirty seven percent (37%) of sales. These items include personal lubricants, apothecary, candles, condoms, sensitizers and desensitizers, including brands such as Crazy Girl, Kamasutra, Earthly Body and System Jo.
- Sales of lingerie constituted approximately sixteen percent (16%) of sales. Lingerie includes a broad range of sleepwear, body stockings, club wear, costumes, corsets, babydolls, hosiery and panties, including brands such as Dreamgirl, Coquette, Escante and Rene Rofe.

In addition to the company's broad retail brand portfolio, the Debtors also offer Sutera™ private label merchandise. In 2015, due to supply chain issues, the company elected to liquidate its remaining inventory of Sutera products and not replenish its stock until a more reliable manufacturer is located. The Debtors expect to have a new private label assortment ready for market in 2018.

Consistent with the company's "wellness" focus, it has minimized the visual product offering category, which consists of DVD and video sales because these products are not generally sought by the Debtors' target demographic.

The Debtors market their retail stores through a variety of channels, including billboards, direct mail, radio, interactive and social media and grassroots events. All new stores are allocated a marketing budget dedicated to a grand opening event. The company has an integrated marketing plan that extends from out-of-store to in-store elements, including posters, signage and displays created by a professional in-house design staff.

The Debtors select geographic areas and store sites on the basis of demographic information, the quality and nature of neighboring tenants, store visibility and location accessibility. They seek to locate stores primarily in or near centers with major national brands and regional brands such as Target, Walgreens, TJ Maxx, Sally Beauty Supply, Starbucks and others.

The Debtors operate forty-six (46) stores under four different branded banners: Lovers, A Touch of Romance, ConRev and Christals. The Christals stores, located in Texas, Tennessee and Iowa, were acquired in October 2012. The Lovers, A Touch of Romance and ConRev stores were acquired on December 31, 2012, and are located in Washington, Oregon and California. As of December 31, 2016, the average life of these stores is just over fifteen (15) years, which demonstrates marketplace acceptance.

The Debtors strive to complement their extensive merchandise selection and innovative store design with superior customer service. To accomplish this objective, the company actively recruits individuals with significant knowledge and experience in the field of lingerie and sexual health and wellness products. Employees' knowledge of the products and ability to explain the advantages of the products increases sales and their prompt, knowledgeable service fosters the confidence and loyalty of customers and differentiates the Debtors' business from other retailers of lingerie, sexual health and wellness products. Employees are trained to foster a warm and welcoming retail environment for individuals and couples to explore sexual wellness. This attitude of acceptance and education for consumers sets the Debtors apart from their competitors.

The company provides extensive training to its sales associates and employees to emphasize product knowledge. The training programs encompass operational and product training and are designed to increase employee and store productivity. Store employees are also required to participate in training on an ongoing basis to keep up-to-date on new products and operational practices.

Most of the company's stores are staffed with a store manager, assistant store manager and two or three part-time associates. District managers, who report directly to the Vice President of Retail, supervise the operations of each store. As of August 1, 2017, the Debtors had a total of 338 employees, 136 of whom are full-time employees. The majority of employees are involved in retail sales and the remainder provide various management, back-office and support functions.

2.2 THE DEBTORS' PREPETITION CAPITAL STRUCTURE

Prepetition Secured Debt

On December 31, 2012, Christals Acquisition, LLC, Peekay Acquisition, LLC, and the subsidiaries of Peekay Acquisition, LLC listed as "Borrowers" on the signature pages thereto, as borrowers and guarantors, entered into a financing agreement (the "Prepetition Financing

Agreement”) with Cortland Capital Market Services LLC, as collateral agent for the secured lenders (the “Prepetition Collateral Agent”). Under the Prepetition Financing Agreement and all agreements, documents, notes, mortgages, security agreements, pledges, guarantees, instruments, amendments, and any other agreements delivered pursuant thereto or in connection therewith (collectively with the Prepetition Financing Agreement, the “Prepetition Loan Documents”), the lenders thereto (the “Prepetition Lenders”) made a term loan to the borrowers initially in the aggregate principal amount of \$38,215,939, consisting of a tranche A term loan for the principal amount of \$27,000,000 (the “Term A Loans” and the Prepetition Lenders providing the Term A Loans, the “Term A Lenders”), and a tranche B term loan for the principal amount of \$11,215,938.95 (the “Term B Loans” and the Prepetition Lenders providing the Term B Loans, the “Term B Lenders”). The proceeds of the loans made under the Prepetition Financing Agreement were used to repay then existing indebtedness, to finance a portion of the purchase price payable in connection with the Company’s acquisition of Peekay and ConRev, to fund working capital requirements and to pay fees and expenses related to the Peekay and ConRev acquisitions.

The loans made under the Prepetition Financing Agreement are secured by first priority liens on substantially all of the Debtors’ assets, including all accounts, chattel paper, commercial tort claims, deposit accounts, documents, equipment, general intangibles (including, without limitation, all payment intangibles), goods, instruments (including, without limitation, promissory notes), inventory, investment property, copyrights, patents and trademarks and licenses, letter-of-credit rights, supporting obligations, proceeds (including cash and noncash proceeds) and products of any of the foregoing collateral. Pursuant to the Prepetition Financing Agreement, the Term A Loans are senior in priority and must be indefeasibly paid in full in cash before any payment can be made on account of the Term B Loans.

The loans made under the Prepetition Financing Agreement originally matured on December 27, 2015, which maturity date was extended through February 15, 2016. As of February 15, 2016, the Debtors were in default under the Prepetition Financing Agreement as recognized in the Forbearance Agreement (defined below). The Debtors’ defaults have continued since that time. As of the Petition Date, the Debtors were obligated to pay \$27,000,000.00 in aggregate principal amount to the Term A Lenders, plus accrued but unpaid interest and fees in the amount of approximately \$8,494,500.00. Further, as of the Petition Date, the Debtors were obligated to pay \$14,483,841.86 in aggregate principal amount to the Term B Lenders, plus accrued but unpaid interest and fees in the amount of approximately \$1,982,995.63.

The Unsecured Seller Notes

In late 2012, the Company completed two separate transactions in which it acquired the Christals, Peekay and ConRev stores (the “Acquired Stores”). The prior owners of the Acquired Stores provided partial seller financing associated with these acquisitions in the form of \$12,700,000 million in notes payable (the “Seller Notes”). The terms of the Seller Notes allow for unpaid interest to be added to the principal (“PIK Interest”) on a quarterly basis. As of the Petition Date, the total amount owing, including the PIK Interest, was approximately \$19 million.

The Seller Notes are unsecured and subordinated to the obligations to the Term A Lenders and Term B Lenders under the Prepetition Financing Agreement. Certain of the Seller Notes matured on December 31, 2016 and the remaining Seller Notes matured on January 9, 2017.

Other Unsecured Debt

As of the Petition Date, the Debtors estimate that their unsecured debt, excluding amounts due in connection with the Seller Notes, is between \$1,500,000 and \$1,600,000, and consists primarily of accounts payable to vendors and accrued but unpaid expenses.

Equity

Peekay Boutiques, Inc., the ultimate parent of the Debtors, is a former public reporting company with thirty (30) shareholders. The major shareholders include the following, along with each shareholder's approximate percentage owned: (i) Christopher F. Brown (12.77%); (ii) Edward J. Tobin (28.87%); (iii) Ellery W. Roberts (6.92%); and (iv) Harvest Capital Credit Corporation (5.95%). The remaining twenty six (26) shareholders each hold less than five percent (5%) of the issued and outstanding equity of Peekay Boutiques, Inc.

2.3 EVENTS LEADING TO THE BANKRUPTCY FILING

In the months leading up to the February 15, 2016 maturity date under the Prepetition Financing Agreement, the Company attempted to effectuate an initial public offering of its common shares in order to raise sufficient capital to pay off the Term A Loans and Term B Loans (the "IPO"). The Company initially sought to register the IPO under the Securities Act of 1933 and, to that end, filed a preliminary registration statement on Form S-1 with the SEC on May 5, 2015 and subsequently amended the preliminary registration statement on November 23, 2015.

As the market for public offerings deteriorated in the fourth quarter of 2015, the Company decided, with the consent of the Prepetition Lenders, to delay the IPO until the first quarter of 2016. To avoid a default under the Prepetition Financing Agreement, the Company requested, and the Prepetition Lenders agreed, to enter into that certain Eight Amendment to Financing Agreement dated as of December 2, 2015 (the "8th Amendment"). By the 8th Amendment, the Prepetition Lenders agreed to extend the maturity date of the Prepetition Financing Agreement to February 15, 2016 in exchange for, among other things, an amendment fee of .50% of the then outstanding indebtedness under the Prepetition Financing Agreement.

By February 15, 2016, the Company still had not been able to effectuate its IPO and did not otherwise have sufficient cash to satisfy the obligations owing under the Prepetition Financing Agreement. Accordingly, on February 26, 2016, the Company and certain of the Term A Lenders and Term B Lenders entered into that certain Forbearance and Ninth Amendment Agreement (the "Forbearance Agreement"). Pursuant to the Forbearance Agreement, the Company agreed to grant certain Term A Lenders warrants to purchase up to 2.5% of the common shares of the Company. Further, under the Forbearance Agreement, the Company was required to complete a "Step One Restructuring Transaction" by April 15, 2016 and a "Step Two Restructuring Transaction" by July 31, 2016. A "Step One Restructuring Transaction" is

generally defined in the Forbearance Agreement as an (a) initial public offering; (b) debt refinancing; or (c) sale transaction, in each case resulting in cash proceeds sufficient to satisfy the Term A Loans in full. A “Step Two Restructuring Transaction” is generally defined in the Forbearance Agreement as an out-of-court restructuring or a pre-arranged chapter 11 bankruptcy on terms acceptable to the Term A Lenders.

By March 31, 2016, the Company was in default of its obligations under the Forbearance Agreement. On that date, the Term A Lenders agreed to further extend the Company’s deadline to grant the warrants and enter into a “Step Two Restructuring Term Sheet” until April 11, 2016. A Step Two Restructuring Term Sheet, however, was not executed by April 11, 2016. Since that time, the Term A Lenders have had the right to call a default and exercise remedies under the Prepetition Financing Agreement and Forbearance Agreement, upon 24 hours’ written notice to the Company. The Term A Lenders’ remedies under the Prepetition Financing Agreement and Forbearance Agreement include, but are not limited to, sweeping cash from the Company’s bank accounts and requiring turnover of Peekay Boutiques, Inc.’s equity interests in its subsidiaries.

As the public offering market demonstrated continued weakness in January 2016, the Company’s investment bankers began discussions with the Company’s Board of Directors regarding strategic alternatives. In February 2016, in connection with the Forbearance Agreement, the Company’s investment bankers began contacting potential buyers and continued this process through mid-March 2016. During this process, seventy five (75) potential buyers were contacted, composed mainly of financial sponsors with a consumer and/or retail focus, as well as a handful of strategic buyers. From this process, thirty-eight (38) non-disclosure agreements were executed and management calls were conducted with twelve (12) potential buyers. From these management interactions, the Company collected two indications of interest and three letters of intent. Ultimately, no executable transaction came from these extensive marketing efforts.

Likewise, in May 2016, in connection with the Forbearance Agreement, the Company proposed a consensual, out-of-court balance sheet restructuring proposal to all of its major creditor and equity constituencies. That effort, however, was also unsuccessful. Given the Company’s ongoing liquidity constraints, beginning in June 2016, the Term A Lenders agreed to forbear from exercising remedies as a result of the Company’s failure to make cash interest payments.

On September 27, 2016, a potential strategic purchaser (the “Strategic Purchaser”) sent a proposed letter of intent that contemplated a sale of substantially all of the Company’s assets in a bankruptcy proceeding. On or about September 30, 2016, two of the Debtors’ Term B Lenders transmitted a balance sheet restructuring proposal to the Company’s Board of Directors, but that proposal did not contain any details regarding various assumptions (including the valuation) contemplated therein or how such a transaction could be executed without consent of the Term A Lenders. Throughout this period, the Term A Lenders repeatedly asserted their position that they would not consent to a balance sheet restructuring in which junior creditors received a recovery unless the claims of the Term A Lenders were satisfied in full. On November 7, 2016, the Company engaged SSG Advisors, LLC (“SSG”) as its investment bankers to assist with a sale of assets or restructuring of the Company’s balance sheet.

On November 30, 2016, the Term A Lenders provided the Company with a draft asset purchase agreement and indicated their willingness to purchase the Company's assets pursuant to a credit bid of the then outstanding obligations held by the Term A Lenders. Following receipt of the asset purchase agreement from the Term A Lenders, the Company and its advisors re-engaged with the Strategic Purchaser in an attempt to negotiate an asset sale and out-of-court restructuring that would satisfy the obligations to the Term A Lenders in full in cash and potentially obviate the need for a bankruptcy filing.

On January 23, 2017, the Company, with the support of the Term A Lenders, entered into a letter of intent (the "January 2017 LOI") with the Strategic Purchaser. The January 2017 LOI contemplated an out of court sale transaction of substantially all of the Company's assets that would have provided sufficient consideration to (i) satisfy in full the obligations owed to the Term A Lenders; and (ii) provide a small return on account of the obligations owed to the Term B Lenders. However, in March 2017, the Company terminated the January 2017 LOI after the Strategic Purchaser failed to satisfy certain conditions contained therein.

On February 2, 2017, the Term A Lenders agreed to a further extension of the Forbearance Agreement (the "February Extension") through April 7, 2017 in exchange for the Company's agreement to pay \$150,000 to the Term A Lenders on account of accrued, unpaid interest and to pay current interest payments due on the first of February and March 2017. Under the parties' agreement, the February Extension was to remain in effect until such time as (i) the January 2017 LOI was terminated; (ii) the Company failed to pay the required interest due under the February Extension; (iii) an additional default occurred under the Financing Agreement; or (iv) the Company breached any additional provision of the Forbearance Agreement.

Following the termination of the January 2017 LOI and as a result of the February extension, the Company and its advisors continued their marketing efforts. In April 2017, certain of the Term B Lenders submitted a second restructuring proposal. That proposal, however, was rejected by the Debtors, after consultation with the Term A Lenders, because the Term A Lenders stated that they would not consent to a balance sheet restructuring in which junior creditors received a recovery unless the claims of the Term A Lenders were satisfied in full.

In May 2017, the Strategic Purchaser again expressed interest in purchasing substantially all of the Debtors' assets. On May 15, 2017, the Company entered into a second letter of intent (the "May 2017 LOI") with the Strategic Purchaser, again with the support of the Term A Lenders. The Strategic Purchaser conducted diligence and engaged in extensive negotiations with the Company regarding the terms of the proposed transaction; however, the May 2017 LOI terminated in July 2017 without an executable transaction when the Strategic Purchaser declined to proceed with the transaction.

From the time of its retention through the Petition Date, SSG contacted over one hundred twenty (120) parties, both strategic and financial, in an effort to sell the Company's assets and/or attract investment in a balance sheet restructuring (both in and out of court). From that marketing process, twenty-six (26) potential purchasers and investors signed non-disclosure agreements, received a confidential information memorandum and were provided access to a dataroom established by SSG and the Company. In addition to the offers from the Strategic Buyer, SSG solicited three (3) additional offers to purchase some or all of the Company's assets.

In light of the Debtors' substantial debt burden and inability to raise additional funds through either equity or debt refinancing, the Debtors, in the exercise of their reasonable business judgment, determined that the most effective way to maximize value of their estates for the benefit of all of their constituents and to preserve their business was to seek bankruptcy protection in order to sell substantially all of their assets as a going concern through the Chapter 11 Cases.

2.4 THE DEBTORS' BANKRUPTCY PROCEEDINGS

2.4.1 The Petition Date. On August 10, 2017 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court.

2.4.2 The First Day Operational Orders. On the Petition Date, the Debtors filed several motions seeking certain operational relief by virtue of so-called first day orders. The first day orders assisted the Debtors in transitioning into operating as debtors-in-possession by approving certain regular business practices that may not be specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior court approval. The first day orders in the Chapter 11 Cases authorized, among other things:

- the continued maintenance of the Debtors' bank accounts, continued use of existing business forms and continued use of the Debtors' existing cash management system;
- the appointment of Rust Consulting/Omni Bankruptcy as the noticing agent in these Chapter 11 Cases;
- honoring existing customer programs, including gift cards;
- continued utility service during the pendency of these Chapter 11 Cases;
- continued maintenance of existing insurance policies, continued payment of premiums and renewal of insurance policies and entrance into new policies, as necessary; and
- payments to employees for accrued prepetition wages, salaries and benefits.

2.4.3 The Cash Collateral Orders. On the Petition Date, the Debtors filed the *Debtors' Motion for Interim and Final Orders (I) Authorizing the Use of Cash Collateral; (II) Granting Adequate Protection to the Prepetition Lenders; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief* [D.I. 12] (the "Cash Collateral Motion") seeking Bankruptcy Court approval for the Debtors to utilize cash collateral of the Prepetition Lenders. On August 11, 2017, the Bankruptcy Court granted the Cash Collateral Motion [D.I. 35] (the "Interim Cash Collateral Order") authorizing the Debtors to utilize cash collateral on an interim basis. On September 6, 2017, the Bankruptcy Court entered the *Final Order (I) Authorizing the Use of Cash Collateral; (II) Granting Adequate Protection to the Prepetition Lenders; and (III) Granting Related Relief* [D.I. 180] (the "Final Cash Collateral Order").

As set forth in the Final Cash Collateral Order, the Prepetition Lenders agreed to "carve-out" from their collateral certain amounts (the "Carve-Out") including, among other amounts: (i) all fees payable to the Clerk of the Court and all statutory fees payable to the U.S. Trustee; (ii) fees and expenses up to \$25,000 incurred by a trustee under section 726(b) of the Bankruptcy Code; (iii) fees, expenses and costs of attorneys, accountants and other professionals

retained in the Chapter 11 Cases by the Debtors or the Creditors' Committee, subject to the Approved Budget (as defined in the Final Cash Collateral Order). In addition, the Final Cash Collateral Order provides that the Carve-Out is senior in priority to, among other things, the Prepetition Financing Agreement Obligations, Adequate Protection Liens and Adequate Protection Claims (each as defined in the Final Cash Collateral Order).

Under the Final Cash Collateral Order, the Debtors are permitted to utilize cash collateral for general corporate purposes, including the payment of professional fees and expenses in accordance with the Approved Budget, which is attached to the Final Cash Collateral Order as Exhibit A. The authorization to utilize cash collateral under the Final Cash Collateral Order expires on the earlier of: (i) October 29, 2017; (ii) the effective date of a chapter 11 plan; (iii) the occurrence of an event of default; (iv) the acceptance by any Debtor of any offer or bid for the purchase of all or substantially all of the assets of such Debtor or any of the equity of a reorganized Debtor which is not acceptable to the Term A Lenders; or (v) the conversion or dismissal of the Chapter 11 Cases.

2.4.4 The Proposed Sale Transaction. As explained above, the Debtors filed their Chapter 11 Cases to engage in a process to sell substantially all of their assets so that they could maximize the value of their Estates for the benefit of all of their constituents and preserve their ongoing business. To that end, on the Petition Date, the Debtors filed the *Motion of Debtors for Entry of Orders: (A)(I) Approving Bid Procedures Relating to the Sale of Substantially all of the Debtors' Assets, (II) Scheduling a Hearing to Consider the Sale, (III) Approving the Form and Manner of Notice of Sale by Auction, (IV) Establishing Notice and Contract Procedures for the Assumption and Assignment of Contracts and Leases, and (V) Granting Related Relief; and (B)(I) Approving Asset Purchase Agreement and Authorizing the Sale of Certain Assets of the Debtors Outside the Ordinary Course of Business, (II) Authorizing the Sale of Assets Free and Clear of all Liens Claims, Encumbrances and Interests, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases, and (IV) Granting Related Relief* [D.I. 26] (the "Bid Procedures Motion"). Through the Bid Procedures Motion, the Debtors sought Bankruptcy Court approval of the sale of substantially all of their assets (the "Sale") to the entity determined to have submitted the highest or otherwise best bid in accordance with the bid procedures and the approval of the proposed stalking horse credit bid in the amount of \$30 million (the "Stalking Horse Bid") by an entity formed by the Term A Lenders, TLA Acquisition Corp..

On September 7, 2017, the Bankruptcy Court entered the *Order (A) Approving Bid Procedures Relating to the Sale of Substantially all of the Debtors' Assets; (B) Scheduling a Hearing to Consider the Sale; (C) Approving the Form and Manner of Notice of Sale by Auction; (D) Establishing Notice and Contract Procedures for the Assumption and Assignment of Contracts and Leases; and (E) Granting Related Relief* [D.I. 186] (the "Bid Procedures Order"). The Bid Procedures Order approved, among other things, the procedures for the Debtors to solicit and obtain the highest or otherwise best bid for their assets through an auction process.

Following entry of the Bid Procedures Order, the Debtors, the Term A Lenders, and the Buyer, in consultation with the Creditors' Committee, elected to proceed with the proposed Sale through the Plan.

2.4.5 The Bar Date Motion. On August 17, 2017, the *Motion of the Debtors for Entry of an Order (A) Establishing Bar Dates for Filing Proofs of Claim; (B) Approving the Form and Manner for Filing Proofs of Claims; and (C) Approving Notice Thereof* [D.I. 73] (the “Bar Date Motion”). On September 6, 2017, the Bankruptcy Court entered the *Order Granting Motion of the Debtors for Entry of an Order (A) Establishing Bar Dates for Filing Proofs of Claim; (B) Approving the Form and Manner for Filing Proofs of Claim; and (C) Approving Notice Thereof* [D.I. 179] (the “Bar Date Order”). Pursuant to the Bar Date Order, each person or Entity asserting (i) a Claim against the Debtors that arose (or was deemed to have arisen) before the Petition Date and/or (ii) any right to payment constituting a cost or administrative expense of administration of the Debtors’ Chapter 11 Cases that arose, accrued, or otherwise became due and payable or may have arisen, accrued or otherwise become due and payable at any time during the period from the Petition Date through and including September 30, 2017, are required to file proofs of claim against the Debtors on or before October 11, 2017 at 4:00 p.m. (Eastern Time). Additionally, pursuant to the Bar Date Order, the Bankruptcy Court has established February 6, 2018 at 4:00 p.m. (Eastern Time) as the deadline for all governmental units holding claims (whether secured, unsecured priority or unsecured non-priority) that arose (or are deemed to have arisen) before the Petition Date to file proofs of claim.

2.4.6 ~~2.4.1~~ Schedules and SOFAs. On September 5, 2017, the Debtors filed their *Statements of Financial Affairs* [Docket Nos. 143, 145, 147, 149, 151, 153, 155, 157, 159, 161, 163, 165, 167, 169, 171, 173 & 175] and *Schedules of Assets and Liabilities* [Docket Nos. 144, 146, 148, 150, 152, 154, 156, 158, 160, 162, 164, 166, 168, 170, 172, 174 & 176] (as amended or modified and together as, the “Schedules and Statements”). On October 9, 2017, the Debtors filed their Amended Statements of Financial Affairs [Docket Nos. 251 -267] and on October 10, 2017 filed their Amended Schedules of Assets and Liabilities [Docket Nos. 274-289].

2.4.7 ~~2.4.2~~ The Creditors’ Committee. On August 21, 2017, the Office of the United States Trustee (the “U.S. Trustee”) appointed the Official Committee of Unsecured Creditors in the Chapter 11 Cases (the “Creditors’ Committee”) consisting of: Kristy E. Butt, Brian E. Barnett, Gary Zebrowski, Dreamgirl International, and United Consortium, Inc. [D.I. 82]. The Creditors’ Committee engaged the law firms Cullen and Dykman LLP (“Cullen Dykman”) and Whiteford, Taylor & Preston LLC (“WTP”) as its counsel and The DAK Group, Ltd. (“DAK”) as its financial advisor.

On September 7, 2017, the Creditors’ Committee filed the following retention applications: (a) *Application of the Official Committee of Unsecured Creditors for an Order Authorizing and Approving the Employment and Retention of Cullen and Dykman LLP as its Counsel Effective as of August 21, 2017* [D.I. 191]; (b) *Application of Official Committee of Unsecured Creditors of Peekay Acquisition, LLC, et al., for Entry of an Order Authorizing the Employment and Retention of Whiteford, Taylor & Preston LLC as Delaware Counsel Nunc Pro Tunc to August 21, 2017* [D.I. 193] and (c) *Application of the Official Committee of Unsecured Creditors for Entry of an Order Authorizing the Retention and Employment of the DAK Group, Ltd. as its Financial Advisor and Investment Banker Effective as of August 24, 2017* [D.I. 192] (collectively, the “Creditors’ Committee Retention Applications”).

2.5 SECURED CLAIMS ENCUMBERING THE DEBTOR'S PROPERTY

2.5.1 The Other Secured Claims. Other Secured Claims consist of any Secured Claim that is not a Term A Loan Claim or a Term B Loan Claim. As of the Petition Date, the Debtors owed approximately \$0.00 on account of the Other Secured Claims.

2.5.2 The Term Loan A Claims. As described above, the Debtors owe the Term A Lenders \$35,494,500.00, plus additional interest accrued since the Petition Date under the Financing Agreement (the "Term Loan A Claims"). The Term Loan A Claims are secured by perfected first priority, senior liens on all of the Debtors' property, subject to the Carve-Out.

2.5.3 The Term Loan B Claims. As described above, the Debtors owe the Term B Lenders \$16,466,837.49, plus additional interest accrued since the Petition Date under the Financing Agreement (the "Term Loan B Claims"). The Term Loan B Claims are secured by perfected liens subordinate to the liens securing the Term Loan A Claims on all of the Debtors' property, subject to the Carve-Out.

2.6 ADMINISTRATIVE CLAIMS.

2.6.1 Administrative Claims. Administrative Claims are Claims that are actual and necessary costs and expenses of preserving the Debtors' Estates and operating the business incurred in the ordinary course of business during the pendency of the Debtors' cases on or before the Effective Date. The Debtors estimate such Administrative Claims consist of \$1,029,334 for Professional Fee Claims and \$436,256.81 for Section 503(b)(9) Claims. The Debtors estimate that Administrative Claims, excluding Professional Fee Claims and Section 503(b)(9) Claims, as of the date hereof, ~~to be~~ approximately \$0.00.

2.6.2 Professional Fee Claims. Professional Fee Claims are Administrative Claims for the compensation of the Debtors' or the Creditors' Committee's professionals or other entities for professional services rendered or expenses incurred in the Debtors' cases on or before the Effective Date. All payments to Professionals for Professional Fee Claims will be made in accordance with the procedures established in the Bankruptcy Code, the Bankruptcy Rules, the United States Trustee Guidelines and the Bankruptcy Court relating to the payment of interim and final compensation for services rendered and reimbursement of expenses, subject to the terms of the Global Settlement as discussed below in Section 3.6 of this Disclosure Statement. The Bankruptcy Court will review and determine all applications for compensation for services rendered and reimbursement of costs.⁸

2.7 UNSECURED CLAIMS AGAINST THE DEBTORS

2.7.1 Unsecured Priority Claims. According to the Debtors' Schedules and Statements ~~as well as certain Claims filed to date~~, the Debtors estimate that as of the Petition Date, they owe approximately ~~\$4,699.24~~ \$10,374.24 on account of tax Claims entitled to priority pursuant to Bankruptcy Code Section 507(a)(8). The Debtors' estimate that Priority Claims outstanding for employee wages and benefits total approximately ~~\$175,172.65~~ \$175,468.65. The Debtors also estimate that they owe approximately \$365,270.69 on account of Claims for Consumer Liabilities that are entitled to priority pursuant to

⁸ The Debtors estimate that Professional Fee Claims will total approximately \$1,029,334 and Section 503(b)(9) Claims will total approximately \$436,256.81.

Bankruptcy Code Section 507(a)(7). Pursuant to the terms of the APA, the Buyer will assume and honor all such priority Claims for Consumer Liabilities.

2.7.2 **Unsecured Nonpriority Claims.** The Debtors' Schedules and Statements reflect unsecured nonpriority Claims against the Debtors in the approximate amount of \$20,979,616, plus certain unknown amounts scheduled as contingent, unliquidated and disputed.

III. SUMMARY OF THE CHAPTER 11 PLAN⁴⁹

3.1 IN GENERAL

The Plan provides for the liquidation and sale of substantially all of the Debtor's Assets to the Buyer, subject in all respects to high and better offers pursuant to the Bid Procedures, under Bankruptcy Code section 363 pursuant to the Asset Purchase Agreement, dated August 9, 2017 between the Debtors and TLA Acquisition, Inc., as may be amended, modified or supplemented from time to time (the "Asset Purchase Agreement").

Pursuant to Bankruptcy Code sections 363 and 1123 and Bankruptcy Rule 9019, the provisions of the Plan shall also constitute a good faith compromise of the claims and Causes of Action asserted or that could have been asserted among the Creditors' Committee, Debtors, Term A Lenders, and Buyer. After extensive negotiations among the Debtors, the Creditors' Committee, Term A Lenders and Buyer, the parties reached a global settlement which resolves all outstanding issues amongst the parties (the "Global Settlement").

If the Plan is confirmed by the Bankruptcy Court and consummated, except to the extent that a holder of an Allowed Administrative Claim and the Debtors agree to less favorable treatment with respect to such holder, each holder of an Allowed Administrative Claim shall be paid in full in Cash on the Effective Date. Further, the Plan provides that, the Debtors shall pay, in full in Cash, any fees due and owing to the U.S. Trustee as of the Effective Date.

With respect to holders of Allowed Priority Tax Claims, and except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Tax Claim, each holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (i) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable non-bankruptcy law and to the extent provided for by Bankruptcy Code section 511; or (ii) such other treatment as may be agreed upon by such holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

All other Allowed Claims and Allowed Interests will receive a distribution only to the extent set forth below in sections 3.2, 3.3 and 3.4.

3.2 CLASSIFICATION OF CLAIMS AND INTERESTS

⁴⁹ In the event of any inconsistency or discrepancy between this summary of the Plan, on the one hand, and the actual⁺ terms and provisions of the Plan, on the other hand, the terms and provisions of the Plan shall govern for all⁺ purposes.

3.2.1 Class 1: Priority Non-Tax Claims. This Class consists of all Priority Non-Tax Claims, which are any Claim against the Debtors ([including Claims for Consumer Liabilities](#)), other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under Bankruptcy Code section 507(a). Class 1 is Unimpaired by the Plan, and each holder of a Class 1 Priority Non-Tax Claim is conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code section 1126(f).

3.2.2 Class 2: Other Secured Claims. This Class consists of any Claim, other than a Term A Loan Claim or a Term B Loan Claim, that is (a) secured by a Lien on property in which the Estates have an interest, which Lien is valid, perfected and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to Bankruptcy Code section 553, to the extent of the value of the creditor's interest in the Estates' interests in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to Bankruptcy Code section 506(a) or (b) Allowed as such pursuant to the Plan. Class 2 is Unimpaired by the Plan, and each holder of a Class 2 Other Secured Claim is conclusively presumed to have accepted the Plan pursuant to Bankruptcy Code section 1126(f).

3.2.3 Class 3: Term A Loan Claims. This Class consists of Allowed Claims on account of the Term A Loans under the Prepetition Financing Agreement. Class 3 is Impaired by the Plan and entitled to vote.

3.2.4 Class 4: Term B Loan Claims. This Class consists of Allowed Claims on account of the Term B Loans under the Prepetition Financing Agreement. Class 4 is Impaired by the Plan, and each holder of a Class 4 Term B Loan Claim is deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).

3.2.5 Class 5: Trade Vendor & Seller Note Claims. This Class consists of Allowed Claims of (i) any creditor who, prior to the Petition Date, sold goods to the Debtors for the purpose of the Debtors' subsequent re-sale of such goods in the ordinary course of business; and (ii) any creditor whose claim arose pursuant to the (a) Subordinated Notes (Christals) (as defined in the Financing Agreement) or (b) Subordinated Notes (Peekay) (as defined in the Financing Agreement). Class 5 is Impaired by the Plan, and each holder of a Class 5 Trade Vendor & Seller Note Claim is deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).

3.2.6 Class 6: General Unsecured Claims. This Class consists of any Claim against the Debtors that (i) is neither Secured nor entitled to priority under the Bankruptcy Code or an order of the Bankruptcy Court and (ii) is not an Term A Loan Claim, Term B Loan Claim, Administrative Claim, a Professional Fee Claim, Priority Tax Claim, a Priority Non-Tax Claim, Other Secured Claim, Trade Vendor Claim, Seller Note Claim, or an Interest. [For the avoidance of doubt, Class 6 Claims include any Claims arising from the rejection of an executory contract.](#) Class 6 is Impaired by the Plan, and each holder of a Class 6 General Unsecured Claim is deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).

3.2.7 Class 7: Intercompany Claims. This Class consists of any Claim against a Debtor held by another Debtor. Class 7 is Impaired by the Plan, and each holder of a Class 7

General Unsecured Claim is deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).

3.2.8 Class 8: Subordinated Claims. This Class consists of any Claim that is subject to subordination, including any Claims arising from rescission of a purchase or sale of a Security of any Debtor or an Affiliate of any Debtor, which Security is not an Interest, for damages arising from the purchase or sale of such a Security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such a Claim. Class 8 is Impaired by the Plan, and each holder of a Class 8 General Unsecured Claim is deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).

3.2.9 Class 9: Interests. This Class consists of any equity security in any of the Debtors as defined in Bankruptcy Code section 101(16), including all issued, unissued, authorized or outstanding shares of capital stock of the Debtors together with any warrants, options or contractual rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto. Class 9 is Impaired by the Plan, and each holder of a Class 9 Interest is deemed to have rejected the Plan pursuant to Bankruptcy Code section 1126(g).

3.3 TREATMENT OF UNIMPAIRED CLAIMS AND CLASSES

3.3.1 Administrative Claims. Except to the extent that a holder of an Allowed Administrative Claim and the Debtors agree to less favorable treatment with respect to such holder, each holder of an Allowed Administrative Claim shall be paid in full in Cash on the earlier of the date that is (a) on or as soon as reasonably practicable after the Effective Date if such Administrative Claim is Allowed as of the Effective Date or (b) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed, if such Administrative Claim is not Allowed as of the Effective Date; provided, however, that notwithstanding anything contained in the Plan or the Confirmation Order, Section 503(b)(9) Claims shall be treated in accordance with the terms of the Asset Purchase Agreement. [The Debtors will provide notice of a subsequent Administrative Claims Bar Date for the filing of all claims arising, accruing or otherwise becoming due and payable any time during the period from October 1, 2017 through Closing.](#) On the Effective Date, the Administrative Claim Reserve shall be transferred by the Debtors to Landis Rath & Cobb LLP's IOLTA account to be held for the distribution of Allowed Administrative Claims other than Section 503(b)(9) Claims and Professional Fee Claims. Upon entry of a Final Order approving any application for allowance and payment of such Administrative Claims (or to the extent a proof of claim has been filed and not objected to as of the Claims Objection Deadline), Landis Rath & Cobb LLP shall promptly distribute from the Administrative Claim Reserve the amounts required to satisfy any such Allowed Administrative Claims. To the extent that any Cash is remaining in the Administrative Claim Reserve after satisfaction in full of all Allowed Administrative Claims other than Section 503(b)(9) Claims and Professional Fee Claims, Landis Rath & Cobb LLP shall promptly transfer any such Cash to the Buyer or its designee(s), provided, however, that no Cash will be transferred to the Buyer or its designee(s) unless and until all Allowed Administrative Claims are paid in full.

3.3.2 Professional Fee Claims. Any Person asserting a Professional Fee Claim for services rendered before the Effective Date must File and serve on the Debtors, the Buyer and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, the

Interim Compensation Order or any other applicable order of the Bankruptcy Court, an application for final allowance of such Professional Fee Claim no later than twenty (20) days after the Effective Date (with an objection period of at least twenty one days for objections, if any, to such applications); provided, however that any Professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professional Order may continue to receive such compensation or reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court order, pursuant to the Ordinary Course Professional Order. Objections to any Professional Fee Claim must be Filed and served on the requesting party no later than fourteen (14) days from the service of an application for final allowance of a Professional Fee Claim. On the Effective Date, the Professional Fee Claim Reserve shall be transferred by the Debtors to Landis Rath & Cobb LLP's IOLTA account to be held for the distribution of Allowed Professional Fee Claims. Upon entry of a Final Order approving any such application for such Professional Fee Claim, Landis Rath & Cobb LLP shall promptly distribute from the Professional Fee Claim Reserve any unpaid portion of such Allowed Professional Fee Claim. To the extent that any Cash is remaining in the Professional Fee Claim Reserve after payment in full of all Allowed Professional Fee Claims, Landis Rath & Cobb LLP shall promptly transfer any such Cash to the Buyer or its designee(s).

3.3.3 Priority Tax Claims. Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment or as otherwise provided in the Asset Purchase Agreement, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Tax Claim, each holder of an Allowed Priority Tax Claim ~~due and payable on or before the Effective Date~~ shall receive, at the option of the Debtors, one of the following treatments: (i) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable non-bankruptcy law and to the extent provided for by Bankruptcy Code section 511; or (ii) such other treatment as may be agreed upon by such holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court. Allowed Priority Tax Claims shall be paid on or as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Priority Tax Claim against the Debtors becomes an Allowed Priority Tax Claim or (iii) such other date as may be ordered by the Bankruptcy Court.

3.3.4 Statutory Fees. On the Effective Date, the Debtors shall pay, in full in Cash, any fees due and owing to the U.S. Trustee as of the Effective Date.

3.3.5 Class 1: Priority Non-Tax Claims. Except to the extent that a holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, and release of each Allowed Priority Non-Tax Claim, each holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash. Allowed Priority Non-Tax ~~Claim~~Claims shall be paid on or as reasonably practicable after the later of (i) the Effective Date, (ii) the date on which such Priority Non-Tax Claim against the Debtors becomes an Allowed Priority Non-Tax Claim or (iii) such other date as may be ordered by the Bankruptcy Court, provided, however, that notwithstanding anything contained in the Plan or the Confirmation Order, Allowed Claims on account of Consumer Liabilities shall be ~~treated~~assumed and honored by the Buyer in accordance with the terms of the Asset Purchase Agreement.

3.3.6 Class 2: Other Secured Claims. Except to the extent that a holder of an Allowed Other Secured Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, and release of each Allowed Other Secured Claim, each holder of Allowed Other Secured Claim shall either (i) be paid in full in Cash on the later of the Effective Date or the date such Claim becomes an Allowed Claim; (ii) receive all Collateral in possession of the Debtors securing the respective holder's Allowed Other Secured Claim plus, to the extent applicable and Allowed, any post-petition interest required pursuant to section 506(b) of the Bankruptcy Code; (iii) reinstatement of such Claim; or (iii) any other treatment rendering such Claim Unimpaired for purposes of the Bankruptcy Code, including returning the collateral underlying such Claim to the Holder.

3.4 TREATMENT OF IMPAIRED CLASSES

3.4.1 Class 3: Term A Loan Claims. Except to the extent that a holder of an Allowed Term A Loan Claim agrees to less favorable treatment of its Allowed Term A Loan Claim, in full and final satisfaction, settlement, release, and compromise of and in exchange for each Term A Loan Claim, each such holder shall receive its pro rata share of:

(a) If the Buyer consummates the Sale Transaction: the value of the Credit Bid, which value shall consist of the New Equity Interests and the Roll-Over Debt; or

(b) If the Buyer does not consummate the Sale Transaction: all Cash and/or other proceeds generated from the sale of the Debtors' assets until all Term A Loan Claims have been indefeasibly paid in full in Cash.

3.4.2 Class 4: Term B Loan Claims. Holders of Allowed Term Loan B Claims will receive no distribution from the Debtors or their Estates under the Plan, but may choose to execute the Opt-In Election and Participate in the Term B Loan Claims Settlement.

3.4.3 Class 5: Trade Vendor & Seller Note Claims. Holders of Trade Vendor & Seller Note Claims will receive no distribution from the Debtors or their Estates under the Plan, but may choose to execute the Opt-In Election and participate in the Global Settlement.

3.4.4 Class 6: General Unsecured Claims. Holders of General Unsecured Claims will receive no distribution under the Plan.

3.4.5 Class 7: Intercompany Claims. Holders of Intercompany Claims will receive no distribution under the Plan.

3.4.6 Class 8: Subordinated Claims. Holders of Subordinated Claims will receive no distribution under the Plan.

3.4.7 Class 9: Interests. Holders of Interests in the Debtors will receive no distribution under the Plan.

3.5 IMPLEMENTATION OF THE PLAN

3.5.1 Restructuring Transactions. Before, on, and after the Effective Date, the Debtors are authorized, without further order of the Bankruptcy Court, subject to the reasonable consent of the Term A Lenders (through and including the Effective Date), to take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Restructuring Transactions under or in connection with the Plan, including: (1) the execution and delivery of all appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution, or liquidation containing terms that are consistent with the terms of the Plan, and that satisfy the requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms to which the applicable Entities agree; (3) rejection or assumption, or assumption and assignment, as applicable, of Executory Contracts and Unexpired Leases; (4) the Filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion, or dissolution pursuant to applicable state law; and (5) subject to the occurrence of the Effective Date, the consummation of the transactions contemplated by the Asset Purchase Agreement.

3.5.2 Sale Transaction. On the Effective Date, and subject in all respects to high and better offers received pursuant to the Bid Procedures Order, the Debtors shall be authorized to consummate the Sale Transaction pursuant to the terms of the Asset Purchase Agreement, the Plan, and the Confirmation Order. On and after the Effective Date, except as otherwise provided in the Plan or the Asset Purchase Agreement, the Debtors and the Buyer, as applicable, may operate their businesses and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. The Asset Purchase Agreement is incorporated into the Plan by reference as if fully set forth therein.

3.5.3 Vesting of Assets. Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated herein, on the Effective Date: (a) the Acquired Assets shall be preserved and shall vest in the Buyer, free and clear of all Liens, Claims, charges, and other encumbrances other than the Permitted Encumbrances; and (b) the Excluded Assets shall be preserved and shall, ~~vest~~ remain vested in the Debtors, ~~free and clear of all Liens, Claims, charges, and other encumbrances other than the Permitted Encumbrances~~. On and after the Effective Date, the Debtors may operate their businesses and use, acquire, or dispose of property and, as applicable, compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. For the avoidance of doubt, the Buyer may operate its business and use, acquire, or dispose of property, including without limitation the Acquired Assets, without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

3.5.4 General Settlement of Claims. Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the

provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Interests, and controversies resolved pursuant to the Plan.

3.5.5 Cancellation of Existing Securities. Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated in the Plan, on the Effective Date, the obligations of the Debtors pursuant, relating or pertaining to any agreements, indentures, certificates of designation, bylaws or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, purchase rights, options, warrants or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors shall be released and discharged; provided, however, notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the holder of a Claim against the Debtors or Interests shall continue in effect solely for purposes of enabling holders of Allowed Claims or Interests to receive distributions under the Plan as provided herein; provided, further, however, that the preceding provision shall not result in any expense or liability to the Debtors, except to the extent set forth in or provided for under the Plan.

3.5.6 Corporate Action. Upon the Effective Date and without limiting any rights and remedies of the Debtors under the Plan or applicable law, the Buyer shall be entitled to structure the restructuring consummated pursuant to the Plan as a purchase of all of the Debtors' Assets, which purchase may be structured as a taxable transaction for United States federal income tax purposes and shall be deemed consummated on the Effective Date. Upon the Effective Date, all actions contemplated by the Plan and Asset Purchase Agreement shall be deemed authorized and approved in all respects, including the implementation of the Restructuring Transactions. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the Debtors in connection with the Plan or Asset Purchase Agreement shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Security holders, directors, members, trustees, officers, or managers of the Debtors or any further notice to or action, order, or approval of the Bankruptcy Court. On or (as applicable) before the Effective Date, the appropriate officers of the Debtors shall be authorized and (as applicable) directed to issue, execute, and deliver the agreements, documents, securities, and instruments contemplated by the Plan or Asset Purchase Agreement (or necessary or desirable to effect the transactions contemplated by the Plan or Asset Purchase Agreement) in the name of and on behalf of the Debtors, including any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by Article IV.F of the Plan shall be effective notwithstanding any requirements under non-bankruptcy law.

3.5.7 Dissolution and Board of the Debtors. As of the Effective Date, the existing board of directors or managers, as applicable, of the Debtors shall be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, managers, shareholders, or members, and any remaining officers, directors, managers, or managing members of any Debtor shall be dismissed without any further action required on the part of any such Debtor, the equity holders of the Debtors, the officers, directors, or managers, as applicable, of the Debtors, or the members of any Debtor. Subject in all respects to the terms of the Plan, the Debtors shall be dissolved as soon as practicable on or after the Effective Date, but in no event later than the closing of the Chapter 11 Cases. As of the Effective Date, Albert Altro shall act as the Debtors' sole officer, director, and manager, as applicable, with respect to the

Debtors' affairs. Subject in all respects to the terms of the Plan, Albert Altro shall, in consultation with the Buyer, have the power and authority to take any action necessary or appropriate to wind down and dissolve the Debtors, ~~and~~ which powers shall include, without limitation: (a) ~~file~~ filing for each Debtor, a certificate of dissolution, together with all other necessary corporate and company documents, to effect the dissolution of each Debtor under the applicable laws of its state of formation; ~~and~~ (b) ~~complete~~ completing and ~~file~~ filing all final or otherwise required federal, state, and local tax returns and ~~shall pay~~ paying taxes required to be paid for each Debtor, and, solely in the Debtors' discretion, pursuant to section 505(b) of the Bankruptcy Code, ~~request~~ requesting an expedited determination of any unpaid tax liability of the Debtors or their Estates for any tax incurred during the administration of the Debtors' Chapter 11 Cases, as determined under applicable tax laws; and (c) objecting to any Claims on or before the Claims Objection Deadline. The filing by Albert Altro of each Debtors' certificate of dissolution shall be authorized and approved in all respects without further action under applicable law, regulation, order, or rule, including any action by the stockholders, members, board of directors, or board of managers of any Debtor. Albert Altro shall be compensated in accordance with the terms of the Cash Collateral Order and the accompanying Approved Budget thereto.

3.5.8 Indemnification Obligations. Except as otherwise provided in the Plan, the Confirmation Order, any and all indemnification obligations of the Debtors, whether pursuant to a contract, instrument, agreement, certificate of incorporation, by-law, comparable organizational document, or other document or applicable law, shall be rejected as of the Effective Date of the Plan.

3.5.9 Effectuating Documents; Further Transactions. Prior to the Effective Date, the Debtors and their respective directors, members, trustees, officers, and managers are, and, after the Effective Date, Albert Altro is, subject to the consent of the Buyer, which consent shall not be unreasonably withheld, authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan in the name of and on behalf of the Debtors, without the need for any approvals, authorizations, or consents, except for those expressly required pursuant to the Plan, or any further notice to or action, order, or approval of the Bankruptcy Court.

3.5.10 Exemption from Certain Taxes and Fees. Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents shall forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment. Such exemption specifically applies to: (1) the creation of any mortgage, deed of trust, Lien, or other security interest; (2) the making or assignment of any lease or sublease; (3) any Restructuring Transaction; and/or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation, or

dissolution; (c) deeds; (d) bills of sale; and/or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

3.5.11 Treatment of Causes of Action. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, Asset Purchase Agreement, Global Settlement, the Term B Loan Claims Settlement or a Bankruptcy Court order, the Debtors reserve, and assign to the Buyer, any and all Causes of Action, whether arising before or after the Petition Date, and preserve, and assign to the Buyer, the right to commence, prosecute, or settle such Causes of Action, notwithstanding the occurrence of the Effective Date. The Buyer may pursue such Causes of Action in its sole discretion. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Buyer will not pursue any and all available Causes of Action against them. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

3.6 THE GLOBAL SETTLEMENT AND THE TERM B LOAN CLAIMS SETTLEMENT

3.6.1 Global Settlement. Pursuant The Plan includes and effectuates, pursuant to Bankruptcy Code sections 363 and 1123 and Bankruptcy Rule 9019, ~~the provisions of the Plan shall constitute~~ a good faith compromise of the claims and Causes of Action asserted or that could have been asserted by and against the Creditors' Committee, Debtors, Term A Lenders, and Buyer. After extensive negotiations among the Debtors, the Creditors' Committee, Term A Lenders and Buyer, the parties reached a global settlement which resolves all outstanding issues among the foregoing parties (the "Global Settlement"). In addition to the terms of the Plan contained herein, the terms of the Global Settlement are as follows:

- A. Trade Creditors Note.** On the Effective Date, the Buyer shall deliver a note (the "Trade Creditors Note") to the Distribution Trustee (as defined below) for the benefit of Trade Creditors holding Allowed Trade Vendor Claims. The Trade Creditors Note shall have the following terms: (i) principal amount: the lesser of (x) 20% of the aggregate amount of Allowed Trade Vendor Claims held by Trade Creditors and (y) \$200,000; (ii) no payments of interest; (iii) four (4) year term; and (iv) principal payments shall be made in equal installments once per year, beginning on the date that is six months after the Closing Date, with each next installment made on the 12 month anniversary of the last payment. Any such Trade Creditor receiving a distribution under the Trade Creditors Note shall be required to execute an agreement with the Buyer, in form and substance acceptable to the Buyer and the Creditors' Committee (each, a "Trade Agreement") pursuant to which it (i) agrees to provide the Buyer an executed Form W-9; (ii) agrees to trade terms with the Buyer that are the same or better than the trade terms extended by such Trade Creditor to the Debtors as of the date that was sixty (60) days prior to the Petition Date (i.e., June 11, 2017); (iii) executes and returns an Opt-In Election ~~to the Buyer~~; and (iv) acknowledges that any breach of such Trade

Agreement will result in the cessation of payments to such Trade Creditor under the Trade Creditors Note. If a Trade Creditor does not execute a Trade Agreement and its Opt-In Election, it shall not receive a distribution under the Trade Creditors Note, and any holder that breaches its Trade Agreement or Opt-In Election shall be barred from receiving any further distributions under the Trade Creditors Note. Upon receipt of the Trade Creditors Note by the Distribution Trustee and execution and delivery of its Trade Agreement and Opt-In Election ~~to the Buyer~~, a Trade Vendor shall be deemed to have (a) waived its Claims against the Debtors and their Estates; and (b) granted the Consensual Third Party Releases.

- B. Gift Card Holders.** On the Effective Date, the Buyer shall assume all of the Debtors' undisputed gift card liabilities (other than liabilities arising under escheatment, abandoned property or similar law).
- C. Seller Noteholders Note.** On the Effective Date, Buyer shall deliver a note (the "Seller Noteholders Note") to the Distribution Trustee for the benefit of holders of Subordinated Notes (Peekay) and Subordinated Notes (Christals) (as such terms are defined in the Prepetition Financing Agreement, and collectively, the "Seller Noteholders"). The Seller Noteholders Note shall have the following terms: (i) principal amount: \$100,000; (ii) no payment of interest; (iii) four (4) year term; and (iv) principal payments shall be made in equal installments once per year, beginning on the date that is six months after the Closing Date, with each next installment made on the 12 month anniversary of the last payment. Upon receipt of the Seller Noteholders Note by the Distribution Trustee and execution and delivery of its Opt-In Election ~~to the Buyer~~, a Seller Noteholder shall be deemed to have (a) waived its Claims against the Debtors; and (b) granted the Consensual Third Party Releases. If a Seller Noteholder does not execute and deliver its Opt-In Election, it shall not receive a distribution under the Seller Noteholders Note, and any Seller Noteholder that breaches its Opt-In Election shall be barred from receiving any further distributions under the Seller Noteholders Note.
- D. Distribution Trustee.** Cullen and Dykman LLP, its designee ~~or~~ such other person or Entity designated by the Creditors' Committee prior to the Effective Date (collectively, the "Distribution Trustee") shall be responsible for making distributions under the Trade Creditors Note and the Seller Noteholders Note. The Distribution Trustee and, if any, its representatives and agents shall not request nor be entitled to any compensation for services rendered or expenses incurred in connection with serving as the Distribution Trustee.
- E. Non-Insider Avoidance Actions.** On the Effective Date, the Buyer shall be deemed to release all Avoidance Actions (as defined in the Cash Collateral Order) against persons or Entities that are not "insiders" (as defined in the Bankruptcy Code) of the Debtors.

F. Miscellaneous. If the Creditors' Committee elects to (a) undertake an investigation not permitted under the Global Settlement or (b) commence litigation with respect to D&O Claims or any Proscribed Action (as such terms are defined in the Cash Collateral Order), the Global Settlement shall terminate on two days' notice by the Debtors or the Term A Lenders to the Creditors' Committee. Except as provided in the Global Settlement, the Creditors' Committee shall (i) not object to any action that is consistent with the terms of the Global Settlement, (ii) not investigate or pursue any claims or causes of actions or otherwise undertake any litigation (whether by motion practice or by adversary proceeding) in these Chapter 11 Cases, and (iii) take all necessary and appropriate actions to support the Debtors' restructuring.

3.6.2 Opt-In Election and the Global Settlement. Class 5 Trade Vendor & Seller Note Claims will receive no distribution from the Debtors or their Estates under the Plan. Following the Effective Date, any holder of an Allowed Class 5 Trade Vendor & Seller Note Claim that executes and delivers its Opt-In Election and, if applicable, Trade Agreement will receive from the Buyer the consideration set forth in the Global Settlement, subject to and in accordance with the terms thereof. Participation in the Global Settlement is entirely voluntary and subject to the sole discretion and consent of the holder of an Allowed Class 5 Trade Vendor & Seller Note Claim.

3.6.3 Term B Loan Claims Settlement. The Plan includes and effectuates, pursuant to Bankruptcy Code sections 363 and 1123 and Bankruptcy Rule 9019, a good faith compromise of claims and Causes of Action asserted or that could have been asserted by and against the Debtors, Term A Lenders, Term B Lenders and the Buyer. After extensive negotiations among the Debtors, Term A Lenders, the Term B Lenders and the Buyer, the parties reached a global settlement which resolves all outstanding issues among the foregoing parties (the "Term B Loan Claims Settlement"). In addition to the terms of the Plan contained herein, the terms of the Term B Loan Claims Settlement are as follows:

A. Term B Loan Claims Note. On the Effective Date, Buyer shall issue a promissory note (the "Term B Loan Claims Note") for the benefit of Term B Lenders holding Allowed Term B Loan Claims. The Term B Loan Claims Note shall have the following terms: (i) principal amount: \$400,000; (ii) no payment of interest; (iii) four (4) year term; and (iv) principal payments shall be made in equal installments once per year, beginning on the date that is six months after the Effective Date, with each next installment made on the 12 month anniversary of the last payment. Upon the issuance of the Term B Loan Claims Note and execution and delivery of its Opt-In Election to the Buyer, a Term B Lender shall be deemed to have (a) released its Claims against the Debtors and their Estates; and (b) granted the Consensual Third Party Releases. If a Term B Lender does not execute and deliver its Opt-In Election, it shall not receive a distribution under the Term B Loan Claims Note, and any Term B Lender that breaches its Opt-In Election shall be barred from receiving any further distributions under the Term B Loan Claims Note.

B. Miscellaneous. (a) Upon the Effective Date, the Buyer shall pay the reasonable and documented fees and expenses (including attorneys' fees) of ADK Soho Fund LP and Harvest Capital Credit Corporation, in an amount not to exceed \$42,000; and (b) except as provided in the Term B Loan Claims Settlement, each Term B Lender shall (i) not object to any action that is consistent with the terms of the Term B Loan Claims Settlement, (ii) not investigate or pursue any claims or causes of actions or otherwise undertake any litigation (whether by motion practice or by adversary proceeding) that is inconsistent with the Term B Loan Claims Settlement, and (iii) take all necessary and appropriate actions to support the confirmation and consummation of the Plan.

3.6.4 Opt-In Election and the Term B Loan Claims Settlement. Class 4 Term B Loan Claims will receive no distribution from the Debtors or their Estates under the Plan. Following the Effective Date, any holder of an Allowed Term B Loan Claim that executes and delivers its Opt-In Election will receive from the Buyer the consideration set forth in the Term B Loan Claims Settlement, subject to and in accordance with the terms thereof. Participation in the Term B Loan Claims Settlement is entirely voluntary and subject to the sole discretion and consent of the holder of an Allowed Class 4 Term B Loan Claim.

3.7 TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

3.7.1 Assumption and Rejection of Executory Contracts and Unexpired Leases. On the Effective Date, all Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (i) was assumed or rejected previously by the Debtors; (ii) previously expired or terminated pursuant to its own terms; (iii) is the subject of a motion to assume Filed on or before the Effective Date; or (iv) has been designated by the Buyer as an "Assumed Contract" or "Held Contract" pursuant to the terms of the Asset Purchase Agreement. The Debtors shall be responsible for satisfying any Allowed Claims arising from the cure of all Executory Contracts and Unexpired Leases assumed pursuant to the Plan.

Notwithstanding anything contained in the Plan or the Confirmation Order, the Buyer shall have the right until the Effective Date to designate any Executory Contract or Unexpired Lease as an "Assumed Contract", a "Rejected Contract" or a "Held Contract" (as such terms are defined in the Asset Purchase Agreement) so long as the Buyer notifies the Debtors in writing of any such change, in which case such Executory Contract or Unexpired Lease shall become an "Assumed Contract", a "Rejected Contract" or a "Held Contract" as indicated by such changed designation.

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the rejection of such Executory Contracts or Unexpired Leases pursuant to Bankruptcy Code sections 365(a) and 1123. Unless otherwise indicated, rejection of Executory Contracts and Unexpired Leases pursuant to the Plan shall be effective as of the Effective Date.

3.7.2 Claims Based on Rejection of Executory Contracts or Unexpired

Leases. Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, if any, must be Filed with the Bankruptcy Court within thirty (30) days after the date of entry of an order of the Bankruptcy Court (including, but not limited to, the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed within such time will not be considered Allowed and such person or entity shall not be treated as a creditor for purposes of distributions under the Plan. Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims and shall be treated in accordance with Class 6 of the Plan.

3.8 SALE, SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

3.8.1 Settlement, Compromise, and Release of Claims and Interests.

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, or in any contract, instrument, or other agreement or document created pursuant to or in connection with the Plan, the distributions, rights, and treatment that are provided in the Plan shall, except as expressly provided in the Plan, be in complete settlement, compromise, and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Debtors), Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability (including withdrawal liability) to the extent such Claims or Interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Proof of Interest based upon such debt, right, or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. Any default by the Debtors or their Affiliates with respect to any Claim or Interest that existed immediately before or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. Subject to the occurrence of the Effective Date, the Confirmation Order shall be a judicial determination of the settlement, compromise, and release of all Claims and Interests against and in the Debtors.

3.8.2 Release of Liens. Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title and interest of any holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Debtors.

3.8.3 Liabilities to, and Rights of, Governmental Units. Notwithstanding anything to the contrary in the Plan or the Confirmation Order, nothing in the Confirmation Order or the Plan discharges, releases, precludes, or enjoins: (1) any liability to any Governmental Unit that is not a Claim; (2) any Claim of a Governmental Unit arising after the Effective Date; (3) any police power or regulatory liability to a Governmental Unit that any Entity would be subject to as the owner or operator of any property after the Effective Date; (4) the rights of any Governmental Unit with respect to the transfer or assignment of any license, permit, registration, authorization, or approval, in each case, to the extent provided under applicable law; and/or (5) any liability to a Governmental Unit on the part of any Entity.

3.8.4 Exculpation. Effective as of the Effective Date, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim or any obligation, Cause of Action, or liability for any Exculpated Claim; provided, however, that the foregoing “exculpation” shall have no effect on the liability of any person or Entity that results from any act or omission based on or arising out of gross negligence, fraud or willful misconduct. The Exculpated Parties have, and upon Confirmation shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation of acceptances and rejections of the Plan and the making of distributions pursuant to the Plan and, therefore, are not and shall not be liable at any time for the violation of any applicable, law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

3.8.5 Releases.

(a) **Releases by the Debtors.** Pursuant to section 1123(b) of the Bankruptcy Code and to the fullest extent authorized by applicable law, and except as otherwise specifically provided in the Plan, for good and valuable consideration, on and after the Effective Date, each Released Party is expressly, unconditionally, generally and individually and collectively released, acquitted and discharged by the Debtors and their Estates from any and all actions, claims, obligations, rights, suits, judgments, damages, demands, debts, rights, remedies, Causes of Action, and liabilities of any nature whatsoever, including any derivative claims or claims for recharacterization, subordination, or avoidance of the Term A Loan Claims, asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, or otherwise, whether for tort, contract, violations of federal or state securities laws, or otherwise, that the Debtors or their Estates would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the Sale Transaction, the Restructuring Transactions, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Restructuring Documents or related agreements, instruments or other documents (including, for the avoidance of doubt, providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement

contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion), upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date; provided, however, that the foregoing releases shall have no effect on (x) the liability of any person or Entity that results from any act or omission based on or arising out of gross negligence, fraud or willful misconduct, or (y) any claim or cause of action that is an Acquired Cause of Action.

(b) *Consensual Third Party Releases.* Upon execution and delivery of ~~the~~ its Opt-In Election, for good and valuable consideration, each electing holder of a Class 5 Trade Vendor & Seller Note Claim and each electing holder of a Class 4 Term B Loan Claim, shall be deemed to forever release, waive, and discharge the Released Parties of all claims, obligations suits, judgments, damages, demands, debts, rights, remedies, Causes of Action and liabilities of any nature whatsoever, whether direct or derivative, known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, or otherwise, whether for tort, contract, violations of federal or state securities laws, or otherwise, including, without limitation, any of the foregoing based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the Sale Transaction, the Restructuring Transactions, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the Restructuring Documents or related agreements, instruments or other documents (including, for the avoidance of doubt, providing any legal opinion requested by any Entity regarding any transaction, contract, instrument, document, or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion), upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date; provided, however, that the foregoing releases shall have no effect on the liability of any person or Entity that results from any act or omission based on or arising out of gross negligence, fraud or willful misconduct; provided, further, that the releases set forth in this section shall not be deemed a release of obligations owing by any party under the Global Settlement or the Term B Loan Claims Settlement.

3.8.6 *Injunction.* Except as otherwise provided in the Plan or the Confirmation Order, as of the Confirmation Date, all Entities that have held, hold or may hold a Claim or other debt or liability against the Debtors or Interest in the Debtors are (a) permanently enjoined from taking any of the following actions against the Debtors or their respective predecessors, successors and assigns, subsidiaries, Affiliates, current (as of the Effective Date) directors, officers, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accounts, investment bankers, consultants, representatives, and other Professionals solely in their respective capacities as such or any of its property on account of such Claims or Interests and (b) permanently enjoined from taking any of the following actions against any of the Debtors or their respective predecessors, successors and assigns, subsidiaries, Affiliates, current (as of the Effective Date) directors, officers, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants,

investment bankers, consultants, representatives, and other Professionals solely in their respective capacities as such or their property with respect to any claims, obligations, suits, judgments, damages, demands, debts, rights, remedies, Causes of Action or liabilities released pursuant to the Plan: (i) commencing or continuing, in any manner or in any place, any action or other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien or encumbrance; (iv) asserting any right of setoff, subrogation or recoupment of any kind against any debt, liability or obligation including, but not limited to, on account of or in connection with or with respect to any Claims or Interests unless such holder has filed a motion requesting the right to perform such setoff on or before the Confirmation Date; and (c) commencing or continuing in any manner or in any place, any action that does not comply with or is inconsistent with the provision; provided, however, that the foregoing injunction shall have no effect on the liability of any person or Entity that results from any act or omission based on or arising out of gross negligence, fraud or willful misconduct.

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

3.9 CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

3.9.1 Conditions Precedent to Confirmation. It shall be a condition to Confirmation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article VIII.A of the Plan: (1) the Bankruptcy Court shall have entered the Confirmation Order; and (2) the Asset Purchase Agreement shall not have been terminated in accordance with its terms.

3.9.2 Conditions Precedent to the Effective Date. It shall be a condition to the Effective Date of the Plan that the following conditions shall have been satisfied or waived:

- A. the Bankruptcy Court shall have entered the Confirmation Order; provided that in accordance with Bankruptcy Rules 3020(e), 6004(h), and 6006(d) (and notwithstanding any other provision of the Bankruptcy Code or the Bankruptcy Rules), the Confirmation Order shall not be stayed and shall be effective immediately upon its entry;
- B. all documents and agreements necessary to implement the Plan, including all documents related to the Sale Transaction shall have (a) all conditions precedent to the effectiveness of such documents and agreements satisfied or waived pursuant to the terms of such documents or agreements, (b) been tendered for delivery, and (c) been effected or executed;

- C. no termination event shall have occurred under the Asset Purchase Agreement, and the Asset Purchase Agreement shall not have been terminated in accordance with its terms;
- D. the Termination Date under the Cash Collateral Order has not occurred;
- E. the Closing of the Sale shall have occurred or shall occur simultaneously with the Filing of the Notice of Effective Date;
- F. the Administrative Claim Reserve and Professional Fee Claim Reserve shall have been funded consistent with the terms of the Plan; and
- G. all actions, documents, certificates and agreements necessary to implement the Plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable Governmental Units in accordance with applicable laws.

3.9.3 Waiver of Conditions. The conditions to Confirmation and Consummation set forth in Article VIII A and B of the Plan may be waived only by prior written consent of the Debtors and the Buyer, without notice, leave, or order of the Bankruptcy Court or any formal action other than proceedings to confirm or consummate the Plan. Upon the occurrence of all the conditions to Confirmation and Consummation set forth in Article VIII of the Plan, the Debtor shall immediately declare the Effective Date and file the Notice of Effective Date.

3.9.4 Effect of Failure of Conditions. Unless expressly set forth in the Plan, if the Consummation of the Plan does not occur on or before the date that is one hundred and eighty days following the Confirmation Date, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by the Debtors, any holders or any other Entity; (2) prejudice in any manner the rights of the Debtors, any holders or any other Entity or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors, any holder of any Claim or any other Entity in any respect.

3.10 MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

3.10.1 Modification and Amendments. Except as otherwise specifically provided in the Plan, the Debtors reserve the right, with the prior written consent of the Term A Lenders, to modify the Plan, whether such modification is material or immaterial, and seek Confirmation consistent with the Bankruptcy Code. Subject to certain restrictions and requirements set forth in Bankruptcy Code section 1127 and Bankruptcy Rule 3019 (as well as those restrictions on modifications set forth in the Plan), the Debtors expressly reserve their rights, subject to the prior written consent of the Term A Lenders, to revoke or withdraw, to alter, amend or modify the Plan, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend or modify the Plan, or remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure

Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan.

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

3.10.3 Revocation or Withdrawal of Plan. The Debtors reserve the right, subject to the prior written consent of the Term A Lenders, to revoke or withdraw the Plan before the Confirmation Date and to file a subsequent plan, provided, however, that the Debtors may revoke or withdraw the Plan and file a subsequent plan without the consent of the Term A Lenders if they, in the good faith exercise of their fiduciary duties, deem such a subsequent plan to be in the best interests of the Debtors and their Estates. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain of the Claims or Interests or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any Claim or Interest; (b) prejudice in any manner the rights of the Debtors, any holder of a Claim or Interest or any other Entity or (c) constitute an admission, acknowledgement, offer or undertaking of any sort by the Debtors, any holder or any other Entity.

3.11 RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases, the Sale Transaction, and the Restructuring Transactions pursuant to Bankruptcy Code sections 105(a) and 1142. The Bankruptcy Court shall retain non-exclusive jurisdiction to hear any other matter not inconsistent with the Bankruptcy Code.

3.12 MISCELLANEOUS PROVISIONS

3.12.1 Immediate Binding Effect. Notwithstanding Bankruptcy Rules 3020(e), 6004(h) or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan shall be immediately effective and enforceable and deemed binding upon the Debtors and any and all present and former holders of Claims or Interests (irrespective of whether their Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases and injunctions described in the Plan, each Entity acquiring property under the Plan, any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors each of respective successors and assigns of the foregoing persons and Entities.

3.12.2 Additional Documents. On or before the Effective Date, the Debtors may file with the Bankruptcy Court such agreements and other documents as may be necessary or

appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors and all holders receiving distributions pursuant to the Plan and all other parties in interest may, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

3.12.3 Statutory Committee and Cessation of Fee and Expense Payment. On the Effective Date, the Creditors' Committee shall dissolve and all of its members, Professionals and agents shall have no further duties, responsibilities, obligations, and authority in connection with the Debtors, the Chapter 11 Cases, the Plan, or its implementation, except with respect to applications for Professional Fee Claims. The Debtors shall not be responsible for paying any fees or expenses incurred by the Creditors' Committee before or after the Effective Date.

3.12.4 Certain Federal Income Tax Consequences to Creditors. The confirmation and execution of the Plan may have tax consequences to holders of Claims and Interests. The Debtors do not offer an opinion as to any federal, state, local or other tax consequences to holders of Claims and Interests as a result of the confirmation of the Plan. All holders of Claims and Interests are urged to consult their own tax advisors with respect to the federal, state, local and foreign tax consequences of the Plan. This Plan is not intended, and should not be construed, as legal or tax advice to any creditor, Interest holder, or other party in interest.

3.12.5 Certain Federal Income Tax Consequences to the Debtors. Generally, the Debtors may realize cancellation of debt ("COD") income to the extent that the Debtors pay a creditor pursuant to the Plan an amount of consideration in respect of a Claim against the Debtors that is worth less than the amount of such Claim. However, because the Debtors are debtors in bankruptcy cases, it is unclear whether COD income will be included in gross income, or whether the Debtors will be required to reduce tax attributes by the amount of COD income excluded as a result of the fact that the Debtors are in bankruptcy.

3.12.6 ~~3.12.4~~ Reservation of Rights. Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court enters the Confirmation Order, and the Confirmation Order shall have no force or effect if the Effective Date does not occur. None of the Filing of the Plan, any statement or provision contained in the Plan or the taking of any action by the Debtors, with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any of their respective rights with respect to the holders of Claims and Interests or each other before the Effective Date.

3.12.7 ~~3.12.5~~ Successors and Assigns. The rights, benefits and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, if any, of such Entity.

3.12.8 ~~3.12.6~~ Notices. To be effective, all notices, requests and demands to or upon the Debtors shall be in writing. Unless otherwise expressly provided herein, notice shall be deemed to have been duly given or made when actually delivered or when received and telephonically confirmed, addressed to the following:

- A. The Debtors:

Peekay Acquisition, LLC
901 W. Main Street, Suite A
Auburn, WA 98001
Attention: Albert Altro, Chief Restructuring Officer
Telephone: (253) 351-5001
Email: aaltro@traversellc.com

with a mandated copy (which shall not constitute notice) to:

Landis Rath & Cobb LLP
919 N. Market Street
Suite 1800
Wilmington, Delaware 19801
Attention: Adam G. Landis, Esq.
Matthew B. McGuire, Esq.
Telephone: 302-467-4400
Telecopier: 302-467-4450
Email: landis@lrclaw.com
mcguire@lrclaw.com

B. The Buyer:

TLA Acquisition Co.
c/o Chatham Capital
1230 Peachtree Street NE, Suite 1750
Atlanta, GA 30309
Attention: Jeffrey Hagar
Telephone: 770-618-2115
Email: jh@chathamcapital.com

with a mandated copy (which shall not constitute notice) to:

Curtis, Mallet-Prevost, Colt & Mosle LLP
101 Park Avenue, 35th Floor
New York, NY 10178
Attention: Steven J. Reisman, Esq.
Shaya Rochester, Esq.
Joshua Geller, Esq.
Telephone: 212-696-6065
212-696-6037
212-696-6953
Telecopier: 212-697-1559
Email: sreisman@curtis.com
srochester@curtis.com
jgeller@curtis.com

3.12.9 ~~3.12.7~~ Entire Agreement. Except as otherwise indicated, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings and representations on such subjects, all of which have become merged and integrated into the Plan.

3.12.10 ~~3.12.8~~ Exhibits. All exhibits and documents included in the Plan are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above, from the Notice, Claims and Balloting Agent's website at <http://www.omnimgt.com/peekay/> or by downloading such exhibits and documents from the Bankruptcy Court's website at <http://www.deb.uscourts.gov>. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

3.12.11 ~~3.12.9~~ Severability of Plan Provisions. If, before Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holdings, alterations or interpretations, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holdings, alterations or interpretations. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the Debtors' consent and (3) non-severable and mutually dependent.

3.12.12 ~~3.12.10~~ Votes Solicited in Good Faith. Once the Confirmation Order becomes a Final Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code, and pursuant to Bankruptcy Code section 1125(e), the Debtors and their agents, representatives, members, principals, shareholders, officers, directors, employees, advisors and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale and purchase of Securities offered and sold under the Plan and any previous plan and, therefore, no such parties, individuals or the Debtors will have any liability for the violation of any applicable law, rule or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale or purchase of the Securities offered and sold under the Plan or any previous plan.

3.12.13 ~~3.12.11~~ Closing of Chapter 11 Case. The Debtors shall promptly after the full administration of the Chapter 11 Cases, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order necessary to close the Chapter 11 Cases that has been fully administered.

3.12.14 ~~3.12.12~~ No Admission Against Interest. Neither the filing of the Plan, the Disclosure Statement, nor any statement contained therein, is or shall be deemed an admission against interest. In the event that the Plan is not consummated, neither the Plan, the

Disclosure Statement nor any statement contained therein may be used or relied upon in any manner in any suit, action, proceeding or controversy within or outside the Bankruptcy Court involving the Debtors.

3.12.15 ~~3.12.13~~ **No Waiver.** Except as otherwise specifically provided herein, nothing set forth in the Plan or the Disclosure Statement shall be deemed a waiver or release of any claims, rights or Causes of Action against any Person other than the Debtor.

3.12.16 ~~3.12.14~~ **Headings.** The article and section headings used in the Plan are inserted for convenience and reference only and neither constitutes a part of the Plan nor any manner affects the terms, provisions or interpretation of the Plan.

3.12.17 ~~3.12.15~~ **Governing Law.** Except to the extent the Bankruptcy Code, the Bankruptcy Rules or other federal law is applicable, or to the extent otherwise provided in the Plan, the rights and obligations arising under the Plan, shall be governed by, and construed and enforced in accordance with the laws of Delaware, without giving any effect to the principles of conflicts of law or such jurisdiction.

3.12.18 ~~3.12.16~~ **Conflicts.** Except as set forth in the Plan, to the extent that any provisions of the Disclosure Statement or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Confirmation Order shall govern and control and then the Plan.

IV. FEASIBILITY

4.1 FINANCIAL FEASIBILITY ANALYSIS.

4.1.1 **The Bankruptcy Code Standard.** The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must find that Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors unless contemplated by the Plan.

4.1.2 **No Need for Further Reorganization of the Debtors.** The Plan provides for the liquidation or distribution of all of the Debtors' Assets. Accordingly, the Debtors believe that all Plan obligations will be satisfied without the need for further reorganization of the Debtors.

V. ALTERNATIVES TO THE PLAN

5.1 CHAPTER 7 LIQUIDATION

5.1.1 **The Bankruptcy Code Standard.** Notwithstanding acceptance of the Plan by the requisite number of Creditors of any Class, the Bankruptcy Court must still independently determine that the Plan provides each member of each Impaired Class of Claims and Interests a recovery that has a value at least equal to the value of the distribution that each such Person would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date.

In chapter 7 liquidation cases, unsecured creditors and interest holders of a debtor are paid from available assets generally in the following order, with no junior Class receiving any payments until all amounts due to senior Classes have been paid fully or any such payment is provided for: (i) Secured creditors (to the extent of the value of their collateral); (ii) Administrative ~~and~~ claims related to the administration of the chapter 7 case; (iii) Administrative claims related to the administration of the prior chapter 11 case; (iv) other priority creditors; ~~(iii)~~ Unsecured creditors; ~~(iv)~~ Debt expressly subordinated by its terms or by order of the Bankruptcy Court; and ~~(v)~~ Interest holders.

5.1.2 The Plan is in the Best Interests of Creditors. The Debtors believe that the Plan satisfies the best interests of creditors test because the Plan provides a greater recovery to the holders of Claims than such holders would receive under a liquidation under chapter 7 of the Bankruptcy Code. Importantly, the current Plan provides for an orderly, consensual liquidation of the Debtors' Assets. The Debtors believe that the Plan provides creditors with a degree of certainty that would not exist if the Debtors' Assets were subject to liquidation outside of the Plan, includes the benefits of the Global Settlement and eliminates all risks and expenses of the marketplace and continual administration of the Debtors. In the event of liquidation under Chapter 7, creditors will not receive as great and as prompt payment of their Allowed Claims as they would under the Plan because the following is likely to occur: (i) additional administrative expenses, including trustee's commissions, fees for the trustee's accountant, attorneys and other professionals likely to be retained, would be incurred with priority over general unsecured claims under Bankruptcy Code section 507(a)(1) and (ii) final distribution of the Assets would likely be substantially delayed. If the Chapter 11 Cases were converted to cases under chapter 7, the Debtors' estates would incur the costs of payment of a statutorily allowed sliding-scale commission to the chapter 7 trustee, as well as the additional costs of replacement counsel and other professionals retained by the trustee to get up to speed and assist with the liquidation. Additionally, the Debtors' Estates would likely suffer additional delays, as a chapter 7 trustee and his/her counsel needs time to complete the necessary learning curve in order to complete the administration of the Debtors' Estates. Moreover, a chapter 7 case would trigger a new bar date for filing claims that would be more than 90 days following conversion of the case to chapter 7. Fed. R. Bankr. P. 3002(c). This raises the prospect of additional claims that were not asserted in the Chapter 11 Cases. Accordingly, the Debtors believe that the Plan provides a greater recovery to the holders of Claims than such holders would receive under a liquidation under chapter 7 of the Bankruptcy Code and therefore is in the best interests of the Debtors' creditors.

5.1.3 Liquidation Analysis. As noted above, in considering whether the Plan is in the best interests of Creditors, the Debtors and their professionals created a Liquidation Analysis, a copy of which is attached hereto as **Exhibit B**. The Debtors believe their Liquidation Analysis, and the conclusions set forth herein are fair and accurate, and represent the Debtors' best judgment with regard to the results of a chapter 7 liquidation of the Debtors. The Liquidation Analysis was prepared by the Debtors with the assistance of Traverse and is based on the Debtors' unaudited balance sheets as of August 30, 2017 and projected available cash.

The Liquidation Analysis reflects the estimated cash proceeds, net of liquidation-related costs, which would be available to the Debtors' creditors if they were to be liquidated in a chapter 7 case. Underlying the Liquidation Analysis are a number of estimates and assumptions regarding liquidation proceeds that, although developed and considered reasonable by the Debtors' management and professionals, are inherently subject to significant business, economic

and competitive uncertainties, and contingencies beyond the control of the Debtors and their management.

THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

THE STATEMENTS IN THE LIQUIDATION ANALYSIS, INCLUDING ESTIMATES OF ALLOWED CLAIMS, WERE PREPARED SOLELY TO ASSIST THE BANKRUPTCY COURT IN MAKING THE FINDINGS REQUIRED UNDER SECTION 1129(a)(7) AND THEY MAY NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE.

5.2 ALTERNATIVE PLAN(S)

If the Plan is not confirmed, the Debtors or other Persons could attempt to formulate and propose a different plan. The Debtors believe that the Plan, as described herein, enables holders of Claims or Interests to realize the greatest possible value under the circumstances, and that compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

VI. RISK FACTORS

Holders of Claims or Interests should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement, before making a judgment with respect to voting to either accept or reject the Plan.

6.1 CERTAIN BANKRUPTCY CONSIDERATIONS

Even if all Impaired voting classes vote to accept the Plan and the requirements for “cramdown” are met; the Court may exercise substantial discretion and may choose not to confirm the Plan. Bankruptcy Code section 1129 requires, among other things, that the value of distributions to dissenting holders of Claims or Interests may not be less than the value such holders would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet such requirement, there can be no assurance that the Court will reach the same conclusion.

Any objection to the Plan by a member of a class of Claims or Interests could also prevent confirmation of the Plan or delay such Confirmation for a significant period of time.

If the Plan is not confirmed or is confirmed but does not go effective, it is unclear what distribution, if any, holders of Allowed Claims ultimately would receive with respect to their Claims.

6.2 CLAIMS ESTIMATION & CASH AVAILABLE AFTER DISTRIBUTION

There can be no assurance that the estimated amount of Claims and Interests set forth herein are correct, and the actual allowed amounts of Claims and Interests may differ from the

estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions, including, without limitation, that unanticipated proofs of claim are filed against the Estates prior to the Bar Dates and such Claims are either not subject to a valid objection by the Debtors or such objections are overruled by the Bankruptcy Court.

VII. CONCLUSION

It is important that ~~you~~[members of Class 3](#) exercise ~~your~~[their](#) right to vote on the Plan. It is the Debtors' belief and recommendation that the Plan fairly and equitably provides for the treatment of all Claims and Interests against the Debtors. In the opinion of the Debtors, the Plan is preferable to any potential alternatives described in this Disclosure Statement because the Plan provides for a larger distribution to the holders of Allowed Claims than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to holders of Allowed Claims than proposed under the Plan. Accordingly, the Debtors recommend that holders of Claims entitled to vote on the Plan support Confirmation of the Plan and vote to accept the Plan.

EXHIBIT A

PLAN (OMITTED)

EXHIBIT B

LIQUIDATION ANALYSIS

Peekay Boutiques, Inc.
Liquidation Analysis (Conversion Date - November 18, 2017)
As of October 16, 2017

	Amount	Estimated Proceeds	
		Chapter 11	Chapter 7
Assets			
Cash on hand	2,149,000	2,149,000	2,149,000
Consideration from Restructuring Transaction implemented through Chapter 11 Plan (consideration consists of a \$30 million credit bid, in addition to the assumption of certain liabilities)	31,000,000	31,000,000	-
Proceeds from Liquidation of assets in hypothetical Chapter 7 Scenario			
Accounts Receivable	38,000	-	19,000
Inventory	4,355,000	-	1,306,500
Prepaid Expenses			
Prepaid Professional, Advertising, Freight, and other expenses	343,000	-	274,400
Prepaid Rent	378,871	-	-
Prepaid Insurance	143,836	-	115,069
Property and Equipment	1,714,000	-	342,800
Rent Deposits	200,000	-	-
Gross amount available to settle Claims		33,149,000	4,206,769

	Amount	Estimated Claims	
		Chapter 11	Chapter 7
Administrative Expense Claims			
Chapter 7 Trustee Fees	149,453	-	149,453
Chapter 7 Professional Fees	200,000	-	200,000
Chapter 11 Restructuring Fees			
Debtor Counsel	325,000	325,000	325,000
Debtor Financial Advisor	108,000	108,000	108,000
Debtor Investment Banker	50,000	50,000	50,000
US Trustee	20,000	20,000	20,000
Term A Senior Secured Lenders Counsel	315,000	315,000	315,000
Collateral Agent Counsel	40,000	40,000	40,000
Unsecured Creditor Committee Counsel and Financial Advisor	142,500	142,500	142,500
Other Administrative Claims / Liabilities			
Payroll and payroll taxes	365,000	365,000	-
Paid-time-off Liability	250,000	250,000	-
Customer Liabilities	365,000	365,000	-
Store cash transferred to Buyer	40,000	40,000	-
Sales Tax	473,000	473,000	473,000
Executory Contract Cure Costs	109,600	109,600	-
State Income, Franchise, Property, and Other Taxes	150,000	150,000	150,000
Estate wind-down costs	111,000	111,000	-
Total Administrative and Priority Claims	3,213,553	2,864,100	1,972,953

Recovery to Secured Claimants		30,284,900	2,233,816
Term A Loan Claims	35,494,500	30,284,900	2,233,816
Recovery %		85.3%	6.3%

Recovery to Unsecured Claimants			
Term B Loan Claims	16,466,837	-	-
Recovery %		0.0%	0.0%
Seller Note Claims	19,031,267	-	-
Recovery %		0.0%	0.0%
Trade Vendor Claims	1,455,393	-	-
Recovery %		0.0%	0.0%
General Unsecured Claims	492,956	-	-
Recovery %		0.0%	0.0%
Total Unsecured Claims	37,446,453	-	-
Recovery %		0.0%	0.0%

NOTES TO LIQUIDATION ANALYSIS

A. Assets

1. **Cash** - Represents the projected consolidated Cash balance as of November 18, 2017 (the “Conversion Date”) for each Debtor.
2. **Consideration resulting from Sale Transaction that will be effectuated by the Chapter 11 Plan** - Represents the Buyer’s consideration paid to the Seller to acquire substantially all the Selling Entities’ assets, and assume certain specified liabilities, pursuant to the terms of the Asset Purchase Agreement.
3. **Proceeds from liquidation of assets in hypothetical Chapter 7**
 - (a) **Accounts Receivable** – Assumed 50 percent recovery from the collection of accounts receivable.
 - (b) **Inventory** – Assumed 30 percent recovery of book value from the disposition of the inventory.
 - (c) **Prepaid Professional, Advertising, and Other Expenses** – Assumed 80 percent recovery.
 - (d) **Prepaid Rent** – ~~No~~In a Chapter 7 liquidation the leases would be terminated, which would trigger additional lease termination claims, and as such, no recovery is assumed ~~because the recovery of any rent is unlikely~~ in a Chapter 7 liquidation. In contrast, if the Sale Transaction is consummated and closes on or about November 18, 2017, the Buyer is expected to reimburse the Debtors for 12 days of rent totaling approximately \$174,000, which is forecasted to be paid by the Debtors the week ended November 4, 2017. ~~In a Chapter 7 liquidation, the recovery of any rent is unlikely, and as such, no recovery is forecasted.~~2017
 - (e) **Prepaid Insurance** – Assumed 80 percent recovery from premium reimbursement from insurance provider. The annual policy was effective on October 1, 2017 with a \$175,000 premium.
 - (f) **Property and Equipment** – assumed 20 percent recovery of book value from the disposition of the ~~inventory~~Property and equipment. Property & equipment consists of Furniture and equipment, Software, Computer equipment, and Leasehold improvements
 - (g) **Rent Deposits** – No recovery is assumed because Chapter 7 liquidation is projected to include the rejection of unexpired leases and executory contracts.

B. Recovery to Administrative/Priority Claimants

1. Chapter 7 Professional Fees

(a) Chapter 7 Trustee Fees – based on a sliding scale of the amount available to satisfy claims: (a) 25% for first \$5,000; (b) 10% for \$5,001 to \$50,000; (c) 5% for \$50,001 to \$1,000,000; (d) 3% for greater than \$1,000,000.

(a) Chapter 7 Professional Fees – forecasted at \$200,000.

2. Chapter 11 Restructuring Fees - based on the Debtors' Cash Flow Forecast, which considers the monthly holdbacks for fees from the Filing through September 30, 2017 and fees from October 1, 2017 through the Confirmation of the Plan.

3. Other Administrative Claims/Liabilities – the amounts listed in this section are claims and/or liabilities that will be (i) paid in the ordinary course of the Debtors' business operations; (ii) assumed by the Buyer under the Asset Purchase Agreement; or (iii) satisfied from cash available upon the Effective Date of the Plan.

C. Recovery to Unsecured Claimants Seller Note Claims and Trade Vendor Claims will receive no distribution from the Debtors' Estates. Pursuant to the Global Settlement, as incorporated in the Plan, the Buyer is issuing the Trade Creditors Note and the Seller Noteholder Note, (each as further described in the Global Settlement), which provide for recoveries on account of Seller Note Claims and Trade Vendor Claims following the Effective Date. Pursuant to the Global Settlement the Trade Creditors and the Seller Noteholders need to meet certain requirements to obtain such notes, including executing releases, and the Trade Vendors providing certain credit terms. These recoveries to holders of Trade Vendor & Seller Note Claims would otherwise be unavailable in a Chapter 7 liquidation.