Solicitation Version

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
CHARMING CHARLIE HOLDINGS INC., *et al.*,[1]	)	Case No. 17-12906 (CSS)
Debtors.	)	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF CHARMING CHARLIE HOLDINGS INC. AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: February ~~12~~14, 2018

~~**THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO CHANGE. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.**~~

[1] The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number, include: Charming Charlie Canada LLC (0693); Charming Charlie Holdings Inc. (6139); Charming Charlie International LLC (5887); Charming Charlie LLC (0263); Charming Charlie Manhattan LLC (7408); Charming Charlie USA, Inc. (3973); and Poseidon Partners CMS, Inc. (3302). The location of the Debtors' service address is: 6001 Savoy Drive, Houston, Texas 77036.

THIS DISCLOSURE STATEMENT WAS APPROVED BY THE BANKRUPTCY COURT ON FEBRUARY 13, 2018 [DOCKET NO. 432]

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE SECOND AMENDED JOINT PLAN OF REORGANIZATION OF CHARMING CHARLIE HOLDINGS, INC. AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. BEFORE DECIDING WHETHER TO VOTE FOR OR AGAINST THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE X HEREIN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, AND CERTAIN ANTICIPATED EVENTS IN THE DEBTORS' CHAPTER 11 CASES. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH ANTICIPATED 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. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY PREPARED 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 HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THE DEBTORS' BOOKS AND RECORDS AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. WHILE THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE DEBTORS AS OF THE DATE HEREOF AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

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, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE.

HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN AND THE PLAN SUPPORT AGREEMENT.

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.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE RESTRUCTURING TRANSACTION CONTEMPLATED THEREBY.

THE SECURITIES DESCRIBED HEREIN WILL BE ISSUED WITHOUT REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR ANY SIMILAR FEDERAL, STATE OR LOCAL LAW, IN RELIANCE ON THE EXEMPTIONS SET FORTH IN SECTION 1145 OF THE BANKRUPTCY CODE TO THE MAXIMUM EXTENT PERMITTED AND APPLICABLE AND TO THE EXTENT THAT SECTION 1145 IS EITHER NOT PERMITTED OR NOT APPLICABLE, THE EXEMPTION SET FORTH IN SECTION 4(A)(2) OF THE SECURITIES ACT, THE EXEMPTION SET FORTH IN SECTION 701 PROMULGATED UNDER THE SECURITIES ACT OR ANOTHER EXEMPTION THEREUNDER. IN ACCORDANCE WITH SECTION 1125(E) OF THE BANKRUPTCY CODE, A DEBTOR OR ANY OF ITS AGENTS THAT PARTICIPATES, IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE, IN THE OFFER, ISSUANCE, SALE, OR PURCHASE OF A SECURITY, OFFERED OR SOLD UNDER THE PLAN, OF THE DEBTOR, OF AN AFFILIATE PARTICIPATING IN A JOINT PLAN WITH THE DEBTOR, OR OF A NEWLY ORGANIZED SUCCESSOR TO THE DEBTOR UNDER THE PLAN, IS NOT LIABLE, ON ACCOUNT OF SUCH PARTICIPATION, FOR VIOLATION OF ANY APPLICABLE LAW, RULE, OR REGULATION GOVERNING THE OFFER, ISSUANCE, SALE, OR PURCHASE OF SECURITIES.

THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

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EXHIBITS

I. INTRODUCTION

Charming Charlie Holdings Inc. ("Charming Charlie") and its debtor affiliates, as debtors and debtors in possession (collectively, the "Debtors"), submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code to holders of Claims against and Interests in the Debtors in connection with the solicitation of acceptances with respect to the *Second Amended Joint Chapter 11 Plan of Reorganization of Charming Charlie Holdings Inc. and Its Debtor Affiliates* (as amended, modified, or superseded, from time to time, the "Plan"), dated February ~~12~~14, 2018.[2] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan constitutes a separate chapter 11 plan for Charming Charlie and each of its six affiliated Debtors.

THE DEBTORS, HOLDERS OF APPROXIMATELY 88% OF PREPETITION TERM LOAN CLAIMS, AND CERTAIN OTHER PARTIES SET FORTH IN THE PLAN SUPPORT AGREEMENT (COLLECTIVELY, THE "CONSENTING PARTIES") BELIEVE THAT THE COMPROMISE CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE AND MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES.

THE DEBTORS AND THE OTHER CONSENTING PARTIES BELIEVE THIS IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

IMPORTANT DATES AND DEADLINES

- **Date by which the Plan Supplement will be filed setting forth, among other things, the material terms of the Exit ABL Facility and the Exit Term Loan Facility: March 16, 2018.**
- **Deadline by which Ballots must be received by the Notice and Claims Agent: March 23, 2018, at 4:00 p.m. (prevailing Eastern Time).**
- **Deadline by which objections to the Plan must be filed and served: March 23, 2018, at 4:00 p.m. (prevailing Eastern Time).**

II. PRELIMINARY STATEMENT

The Debtors are a leading specialty retailer, focused on fashion jewelry, handbags, apparel, gifts, and beauty products for women aged 35-55. Headquartered in Houston, Texas, the Debtors currently operate approximately 274 stores nationwide and maintain a burgeoning eCommerce platform. Despite a loyal customer base and an iconic brand, Charming Charlie, like many of its peers, has fallen victim to adverse macroeconomic trends. The general shift away from brick-and-mortar retail (experienced by various retail chains in the last several years, including *Gymboree*, *rue21*, *BCBG*, *True Religion*, *American Apparel*, and *Perfumania*) has been exacerbated by operational missteps. Collectively, these macroeconomic and microeconomic factors have led to underperformance and reduced sales, with consolidated net revenue declining over 22% and EBITDA declining over 75% in the last several fiscal years.

The Debtors have aggressively attacked the challenges of their industry and their business model, including: (a) significant cost-cutting measures in 2016 (designed to reduce costs by approximately $30

[2] Capitalized terms used but not otherwise defined in this Disclosure Statement have the meanings ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern**.

million); (b) obtaining periodic covenant relief on their funded debt obligations, to lift onerous borrowing conditions; (c) launching a "Back-to-Basics" strategy (described below); (d) commencing store closings on underperforming stores (as described below, the "Store Closings"); and (e) engaging in constructive discussions with their landlords regarding potential rent concessions, deferrals, and waivers (collectively, and as described below, the "Landlord Negotiations"). Notwithstanding these initiatives, it became clear that these steps were not sufficient to protect the Debtors' long-term sustainability.

Starting in the summer of 2017, the Debtors accelerated their efforts to delever their capital structure. Specifically, and as described in greater detail in the *Declaration of Robert Adamek, Chief Financial Officer of Charming Charlie Holdings Inc., in Support of Chapter 11 Petitions and First Day Motions* [D.I. 4] (the "First Day Declaration"), the Debtors pursued multiple (and parallel) paths to delever their capital structure including, among other efforts, pursuing a potential sale of Charming Charlie's assets, pursuing in court standalone restructuring alternatives with various creditor constituencies, and hybrid alternatives. The Debtors believe a comprehensive restructuring of their funded debt obligations, together with the Store Closings, the Back-to-Basics Strategy, and ongoing productive Landlord Negotiations, in each case consummated pursuant to an expeditious chapter 11 process, collectively put the Debtors on a sustainable path forward.

Ultimately, these efforts culminated in the Plan Support Agreement, dated December 11, 2017, supported by, among others, the Debtors, over Holders of 88% of Prepetition Term Loan Claims (the "Consenting Lenders"), and TSG Consumer Partners, Hancock Park Associates, and Charles J. Chanaratsopon, in each case on behalf of itself and each of its affiliated investment funds or investment vehicles managed or advised by it (collectively, the "Owners"), and the accompanying Term Sheet, reflecting the terms of a comprehensive restructuring supported by the Consenting Parties. The transactions set forth in the Term Sheet were subsequently reflected in the Plan filed contemporaneously herewith (the "Plan").

Collectively, the proposed restructuring reflected in the Plan eliminates approximately $69 million in funded debt obligations from the Debtors' balance sheet (including all prepetition funded debt obligations).

III. OVERVIEW OF THE PLAN AND PLAN SUPPORT AGREEMENT

On December 11, 2017 the Consenting Parties executed the Plan Support Agreement [D.I. 4], together with a Term Sheet, reflecting the material terms of the restructuring. The Plan Support Agreement contemplates that the Debtors will emerge from chapter 11 in approximately 90 business days, and establishes the commitments of each of the Consenting Lenders, the Owners, and the Debtors to support the restructuring and, ultimately, the Plan.

The Plan provides for the reorganization of the Debtors as a going concern. Significantly, the Plan contemplates a significant reduction in long-term debt and annual cash interest payment obligations, and infuses new capital in the form of (a) $20 million new-money, DIP financing (defined in the Plan as the DIP Term Loan New Money Loans); (b) approximately $50 million in exit term loan debt, across two tranches (collectively defined in the Plan as the Exit Term Loan Facility; and (c) exit financing, which shall take the form of either a new revolving credit facility in the aggregate commitment amount of $35 million or, with the consent of the Holders of DIP ABL Claims, a conversion of the DIP ABL Facility (collectively defined in the Plan as the Exit ABL Facility). Ultimately, the Debtors believe consummation of the Plan will result in a stronger, de-levered balance sheet for the Debtors. The key terms of the Plan are set forth below.

A. Overview of DIP Facilities

The Debtors commenced their Chapter 11 Cases with two DIP Facilities, each as described herein and in the Plan: (a) the DIP ABL Facility and (b) the DIP Term Loan Facility. Pursuant to the Interim DIP Order and Final DIP Order, each of the DIP ABL Facility and DIP Term Loan Facility were approved on an interim and final basis.

- **DIP ABL Facility**. The DIP ABL Facility consists of a $35 million asset-based loan facility. Pursuant to the Interim DIP Order, all Allowed Prepetition ABL Claims were converted to Allowed DIP ABL Facility Claims (on a dollar-for-dollar basis).

- **DIP Term Loan Facility**. The DIP Term Loan Facility is a $60 million term loan facility, comprised of: (a) $20 million in new-money financing (the "DIP Term Loan New Money Claims") and (b) $40 million on account of "rolled" Prepetition Term Loan Claims held by the DIP Term Loan Lenders (collectively, the "DIP Term Loan Roll-Up Claims"). Pursuant to the Interim DIP Order, the Debtors were authorized to draw $10 million of the DIP Term Loan New Money Claims on an interim basis. Pursuant to the Final DIP Order, $40 million of Allowed Prepetition Term Loan Claims were converted to Allowed DIP Term Loan Roll-Up Claims (on a dollar-for-dollar basis).

B. Overview of Treatment of Prepetition Term Loan Claims and Prepetition ABL Claims

As described herein, the Debtors' prepetition capital structure contains two tranches of first lien secured debt: (a) the Prepetition ABL Facility (issued under the Prepetition ABL Agreement) and (b) the Prepetition Term Loans (issued under the Prepetition Term Loan Facility).

The Plan contemplates the following recoveries to Holders of Prepetition ABL Claims and Holders of Prepetition Term Loan Claims:

- **Allowed Prepetition ABL Claims**. Upon entry of the Interim DIP Order, all outstanding Prepetition ABL Claims were converted into Allowed DIP ABL Facility Claims (on a dollar-for-dollar basis). Therefore, there are no outstanding Prepetition ABL Claims, other than contingent indemnification claims.

- **Allowed Prepetition Term Loan Claims**. On the Effective Date, each Holder of an Allowed Prepetition Term Loan Claim will receive, in full and final satisfaction of such claim, and consistent with the terms set forth in the Plan Support Agreement, its Pro Rata Share of 25% of New Equity (subject to dilution only on account of the New Equity issued in connection with the Management Incentive Plan and the GUC Rights).

C. Treatment of General Unsecured Claims

On the Effective Date, each Holder of an Allowed General Unsecured Claim shall receive its Pro Rata Share of the GUC Rights, which shall be issued on such terms and conditions set forth in the term sheet attached hereto as **Exhibit H** and on such additional terms and conditions as shall be set forth in the Plan Supplement, which terms shall be on terms and conditions reasonably satisfactory to the Requisite First Lien Lenders.

D. New Equity

On the Effective Date, upon cancellation of the Equity Interests in HoldCo, Reorganized HoldCo will issue the New Equity, including the GUC Rights, to Holders of Claims and Interests to the extent provided in the Plan. Other than as contemplated through the issuance of the New Equity, including the GUC Rights, pursuant to the Plan, there shall exist on the Effective Date no other equity securities, warrants, options, or other agreements to acquire any equity interest in Reorganized HoldCo. The material terms of the GUC Rights are attached hereto as **Exhibit H** and additional terms may be set forth in the Plan Supplement.

E. Exit Term Loan Facility

On the Effective Date, Reorganized HoldCo will, in a tax-efficient manner, enter into a new, senior secured term loan facility, which will consist of (a) $20 million in "tranche A" term loans and (b) $30 million in "tranche B" term loans (the "Exit Tranche A Term Loans" and the "Exit Tranche B Term Loans," respectively). The material terms of the Exit Tranche A Term Loans and Exit Tranche B Term Loans are set forth below, and the additional terms of the Exit Tranche A Term Loans and Exit Tranche B Term Loans (including any other terms to be negotiated in good faith between the Debtors and the Holders of DIP Term Loan Facility) will be set forth in the Plan Supplement.

- Exit Tranche A Term Loans.
- **Interest**: From the Effective Date until the first anniversary thereof, LIBOR + 5.0% payable in cash and 5% PIK and following the first anniversary after the Effective Date, LIBOR + 10% payable in cash. The LIBOR floor shall be 1.0%.
- **Amortization**: 2.5% per annum (payable quarterly) beginning in the second year following the Effective Date.
- **Excess Cash Flow Sweep**: 50%, with payments split *pro rata* between the Exit Tranche A Term Loans and the Exit Tranche B Term Loans.
- **Security / Priority**: Secured by a first-priority lien on the collateral that currently secures the Prepetition Term Loan Claims and a second-priority lien on the collateral that currently secures the Prepetition ABL Claims. The Exit Tranche A Term Loans shall be *pari passu* with the Exit Tranche B Term Loans.
- **Rating**: The Debtors will use reasonable efforts to obtain a private rating for the Exit Term Loan Facility.
- Exit Tranche B Term Loans.
- **Interest**: LIBOR + 1.0% in cash and 9.0% PIK. The LIBOR floor shall be 1.0%.
- **Amortization**: 2.5% per annum (payable quarterly) beginning in the second year following the Effective Date.
- **Excess Cash Flow Sweep**: 50%, with payments split *pro rata* between the Exit Tranche A Term Loans and the Exit Tranche B Term Loans.
- **Security / Priority**: Secured by a first-priority lien on the collateral that currently secures the Prepetition Term Loan Claims and a second-priority lien on the collateral that currently

secures the Prepetition ABL Claims. The Exit Tranche A Term Loans shall be *pari passu* with the Exit Tranche B Term Loans.

- **Rating**: The Debtors will use reasonable efforts to obtain a private rating for the Exit Term Loan Facility.

F. Exit ABL Facility[3]

On the Effective Date, the Debtors intend to enter into the Exit ABL Facility, which shall be comprised of the Exit ABL Facility. The Exit ABL Facility shall (a) be secured by a first priority lien on, inter alia, the collateral that currently secures the Prepetition ABL Claims and a second priority lien on, inter alia, the collateral that currently secures the Prepetition Term Loan Claims, (b) have material terms and conditions that are substantially similar to those in the Prepetition ABL Credit Agreement, and (c) be acceptable to the Requisite First Lien Lenders. The actual terms of the Exit ABL Facility will be set forth in the Plan Supplement.

G. New Employment Agreements

On the Effective Date, Reorganized HoldCo shall enter into new employment agreements with each of (a) Charming Charlie's current Chief Financial Officer; (b) Charming Charlie's current Executive Vice President for Merchandising; (c) Charming Charlie's current Senior Vice President for Real Estate, Legal, and (d) Charming Charlie's current Senior Vice President for Human Resources (collectively, the "Covered Persons"), on terms satisfactory to Reorganized HoldCo and each of the Covered Person, in substantially the form included in the Plan Supplement.

H. Management Incentive Plan

The percentage of New Equity to be set aside for the Management Incentive Plan shall be up to ten percent of the New Equity contemplated by the Plan, on a fully diluted basis, to be issued to management of the Reorganized Debtors after the Effective Date on terms and conditions to be determined by the New Board. The Confirmation Order shall authorize the New Board to adopt the Management Incentive Plan. The issuance of New Equity under the Management Incentive Plan, if any, will dilute all of the New Equity, including the New Equity issued to Holders or Prepetition Term Loan Claims and DIP Term Loan Facility Claims and pursuant to the GUC Rights.

I. Distributions

The Plan contemplates the following distributions to Holders of Allowed Claims:

- ***Allowed Other Priority Claims and Allowed Other Secured Claims***. Allowed Other Priority Claims and Allowed Other Secured Claims will be rendered Unimpaired.

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[3] Confirmation of the Plan shall be deemed approval of the Exit Facilities and the Exit Facility Documents, and all transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein, and authorization of the Reorganized Debtors to enter into and execute the Exit Facility Documents and such other documents as may be required to effectuate the Exit Facilities. Prior to the Effective Date, the Debtors will use reasonable efforts to obtain a private rating for the Exit Term Loan Facility.

It is the view of certain landlords that the Exit Facilities may not provide for liens against leases or lender occupancy rights of leased premises without the written agreement of the applicable landlord. All parties' rights are reserved with respect to the Exit Facilities and such assertions.

- ***Allowed DIP ABL Facility Claims***. Each Holder of an Allowed DIP ABL Facility Claim will receive, on the Effective Date, in full and final satisfaction of its Claim, either (a) indefeasible payment in full, in cash, from the proceeds of the New Revolving Credit Facility or (b) with the consent of each such Holder, its Pro Rata share of the ABL Exit Facility.

- ***Allowed DIP Term Loan Facility Claims***. Each Holder of an Allowed DIP Term Loan Facility Claim will receive, in full and final satisfaction of its Claim, its Pro Rata share of: (a) Exit Tranche A Term Loans, on account of its aggregate principal amount of DIP Term Loan New Money Claims; (b)(i) Exit Tranche B Term Loans and (ii) 75% of New Equity (subject to dilution only on account of the New Equity issued in connection with the Management Incentive Plan and the GUC Rights), in each case on account of its DIP Term Loan Roll-Up Claim; and (c)(i) Cash equal to the amount of such Holders' DIP Term Loan Interest Claim or (ii) with the consent of the DIP Term Loan Agent and a majority of DIP Term Loan Lenders, Exit Tranche A Term Loans and/or Exit Tranche B Term Loans, in each case on account of its DIP Term Loan Interest Claim.

- ***Allowed Prepetition ABL Claims***. All outstanding Prepetition ABL Claims were rolled into the DIP ABL Facility pursuant to, and upon entry of, the Interim DIP Order. Therefore, other than contingent indemnification claims, there are no outstanding Prepetition ABL Claims and the Prepetition ABL Claims shall not be a Class under the Plan.

- ***Allowed Prepetition Term Loan Claims***. $40 million of Allowed Prepetition Term Loan Claims held by the DIP Term Loan Lenders were converted into $40 million of DIP Term Loan Roll-Up Claims pursuant to, and upon entry of, the Final DIP Order. The remaining Allowed Prepetition Term Loan Claims will receive their Pro Rata share of 25% of New Equity (subject to dilution only on account of the New Equity issued in connection with the Management Incentive Plan and the GUC Rights).

- ***Allowed General Unsecured Claims***. The treatment of Allowed General Unsecured Claims is to be determined.

- ***Equity Interests***. Equity Interests in Charming Charlie will be discharged and canceled with no distribution and Intercompany Interests will be reinstated.

J. The Plan Supplement

On or prior to the date that is at least seven days prior to the date on which objections to Confirmation are due pursuant to the Disclosure Statement Order, the Debtors will file the Plan Supplement, which is the compilation of documents and forms of documents, schedules, and exhibits to the Plan, as amended, supplemented, or modified from time to time in accordance with the terms hereof, the Bankruptcy Code, the Bankruptcy Rules, and the Plan Support Agreement; *provided* that the Assumed Executory Contract/Unexpired Lease List and the Rejected Executory Contract/Unexpired Lease List will be filed no later than March 5, 2018. The Plan Supplement will include: (a) the New Organizational Documents; (b) the Assumed Executory Contract/Unexpired Lease List; (c) the Rejected Executory Contract/Unexpired Lease List; (d) a list of retained Causes of Action; (e) to the extent known, the identity of the members of the New Board; (f) the Plan Support Agreement; (g) the Exit ABL Documentation (or a term sheet setting forth the material terms thereof); (h) the Exit Term Loan Documentation (or a term sheet setting forth the material terms thereof); (i) the form of New Employment Agreements; (j) additional material terms of the GUC Rights; and (k) any and all other documentation necessary to effectuate the Restructuring Transactions or that is contemplated by the Plan.

The substantive terms of the Plan Supplement documents will be material to the treatment that the Holders of Claims are receiving under the Plan.

K. Releases

The Plan contains certain releases (as described more fully in IV.M hereof), including mutual releases between the Reorganized Debtors, the Prepetition ABL Agent, the Prepetition Term Loan Agent, the Prepetition ABL Lenders, the Prepetition Term Loan Lenders, the Owners, the DIP Agents, the DIP Lenders, the agents and lenders under the Exit Facilities, the Consenting Lenders, any party to the Plan Support Agreement, the Existing Equity Holders, the Official Committee, and with respect to each of the Entities listed above, such Entity's predecessors, successors, assigns, direct and indirect subsidiaries, affiliates, current and former officers and directors, principals, shareholders, employees, members, partners, managers, agents, advisory board members, attorneys, financial advisors, investment bankers, accountants, consultants, and other professionals or representatives each solely in their capacities as such; *provided*, *however*, that any Holder of a Claim or Interest that validly "opts out" of the release set forth in its Ballot shall not be a "Released Party;" *provided*, *further*, *however* that Holders of Claims or Interests (a) whose solicitation packages were returned to the Debtors or their agent as undeliverable or (b) who did not receive solicitation packages pursuant to paragraph 16(b) of the Disclosure Statement Order on account of service to such Holder of the notice of the disclosure statement hearing being returned undeliverable, shall not be "Releasing Parties" and such Holders shall be set forth on an exhibit to the voting report to be filed by the Notice and Claims Agent.

The Plan also provides that, to the fullest extent permitted by law, (a) all Holders of Claims or Interests that are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, (b) all Holders of Claims or Interests that vote to accept or reject the Plan and do not affirmatively elect to "opt out" of being a Releasing Party and Released Party on such Holder's Ballot, and (c) all Holders of Claims or Interests in voting Classes that abstain from voting on the Plan and do not affirmatively elect to "opt out" of being a Releasing Party and Released Party on such Holder's Ballot will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties.

L. Key Go-Forward Creditor Program

The key details of the Key Go-Forward Creditor Program are summarized below and set forth in the Plan:

- ***Amount***. The Key Go-Forward Creditor Program will be funded in the amount of $1,000,000.

- ***Source of Consideration***. As detailed below, the Key Go-Forward Creditor Program will be funded with the proceeds of the Plan Reimbursement.

- **Ongoing Discussions with Key Go-Forward Creditors**. On January 10, 2018, the Bankruptcy Court entered the Final Order (I) Authorizing the Debtors to Pay Certain Prepetition Claims of Critical Vendors, Foreign Vendors, Shippers, and Import and Export Claimants, and (II) Granting Related Relief [D.I. 279] (the "Critical Vendor Order"). Pursuant to the Critical Vendor Order, the Debtors obtained authority—but not direction—to satisfy the prepetition claims of critical vendors. During the early stages of their chapter 11 cases, the Debtors were required to be very creative in securing the support of their many important vendors as their liquidity did not allow them to capitalize on the relief granted and would not sufficiently cover the prepetition exposure of the vendors demanding "Critical Vendor" treatment. Still, the majority of the Debtors important vendors are providing

services and inventory on a post-petition basis under acceptable negotiated terms. In addition, as set forth in Section VI.B of this Disclosure Statement, the Debtors and A&G Realty have been in near constant communication with go-forward landlords regarding agreements regarding lease and rent concessions.

- ***Key Go-Forward Creditor Agreements***. The Debtors will enter into agreements with key, go-forward vendors and landlords that provide for beneficial business terms for the Debtors and Reorganized Debtors, as applicable, on terms that are reasonably acceptable to the Official Committee and the Requisite First Lien Lenders.

IV. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

A. What is Chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

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

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors Sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with these requirements.

C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution under, the Plan, if any, depends on what type of Claim or Interest you hold. Each category of holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "Class." Each Class's respective voting status is set forth below.

Class	Claim	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Presumed to Accept
2	Other Secured Claims	Unimpaired	Presumed to Accept
3	Prepetition Term Loan Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	~~[~~Entitled to Vote~~]~~
5	Intercompany Claims	Unimpaired / Impaired	Presumed to Accept / Deemed to Reject
6	Equity Interests in HoldCo	Impaired	Deemed to Reject
7	Intercompany Interests	Unimpaired	Presumed to Accept
8	Section 510(b) Claims	Impaired	Deemed to Reject

D. What will I receive from the Debtors if the Plan is consummated?

The following chart provides a summary of the anticipated recovery to holders of Claims and Interests under the Plan. Any estimates of Claims and Interests in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation and meet the conditions necessary to consummate the Plan.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE BASED UPON FACTORS RELATED TO THE DEBTORS' BUSINESS OPERATIONS AND GENERAL ECONOMIC CONDITIONS. ACTUAL RECOVERIES FOR ALL CREDITORS ARE SUBJECT TO MATERIAL CHANGE FROM THOSE PRESENTED.

FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[4]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
	Administrative Claims	Subject to the provisions of sections 328, 330(a), and 331 of the Bankruptcy Code, except to the extent that a Holder of an Allowed General Administrative Claim and the applicable Debtor(s) agree to less favorable treatment with respect to such Allowed General Administrative Claim, each Holder of an Allowed General Administrative Claim will be paid the full unpaid amount of such Allowed Administrative Claim in Cash: (a) on the	N/A	100.0%

[4] The recoveries set forth below may change based upon changes in the amount of Claims that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "Allowed" means with respect to any Claim or Interest, except as otherwise provided herein, a Claim or Interest allowed under the Plan, under the Bankruptcy Code, as applicable, or by a Final Order.

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		Effective Date or as soon as reasonably practicable thereafter or, if not then due, when such Allowed General Administrative Claim is due or as soon as reasonably practicable thereafter; (b) if a General Administrative Claim is Allowed after the Effective Date, on the date such General Administrative Claim is Allowed or as soon as reasonably practicable thereafter or, if not then due, when such Allowed General Administrative Claim is due or as soon as reasonably practicable thereafter; (c) at such time and upon such terms as may be agreed upon by such Holder and the Debtors or the Reorganized Debtors, as the case may be; or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court; provided that Allowed General Administrative Claims that arise in the ordinary course of the Debtors' business shall be paid in full in Cash in the ordinary course of business in accordance with the terms and subject to the conditions of any controlling agreements, course of dealing, course of business, or industry practice.		
1	Other Priority Claims	Except to the extent that a Holder of an Allowed Other Priority Claim against the Debtors agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Other Priority Claim against the Debtors, each Holder of such Allowed Other Priority Claim shall be paid in full in Cash on or as as reasonably practicable after (i) the Effective Date, (ii) the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, or (iii) such other date as may be ordered by the Bankruptcy Court	N/A	100.0%
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, release, and discharge of each Other Secured Claim, each	N/A	100.0%

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
		Holder of an Allowed Other Secured Claim, at the option of the applicable Debtor with the consent of the Requisite First Lien Lenders, shall (i) be paid in full in Cash including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code, (ii) receive the collateral securing its Allowed Other Secured Claim, (iii) receive Reinstatement of such Allowed Other Secured Claim, or (iv) receive other treatment rendering such claim Unimpaired.		
3	Prepetition Term Loan Claims	Except to the extent that a Holder of an Allowed Prepetition Term Loan Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Prepetition Term Loan Claim, on or as reasonably practicable after the Effective Date, each Holder of an Allowed Prepetition Term Loan Claim shall receive, up to the Allowed amount of its Prepetition Term Loan Claim, its Pro Rata share of 25 percent of the New Equity (subject to dilution only by the New Equity issued in connection with the Management Incentive Plan and the GUC Rights).	$94,625,378.95 in principal amount plus accrued interest	3.62%[5]
4	General Unsecured Claims	In full and final satisfaction, settlement, release, and discharge of, and in exchange for, each Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive its Pro Rata share of the GUC Rights.	N/A	0.0% or greater[6]

5 Imputed recovery (prior to dilution by New Equity issued in connection with the Management Incentive Plan and the GUC Rights) based on valuation set forth in the Valuation Analysis attached hereto as **Exhibit E**.

6 The GUC Rights are not expected to provide a recovery as of the Effective Date, but may in the future attain value if the Reorganized Debtors experience sufficient improvement in their equity value in the next five-to-seven years, as set forth in **Exhibit H** attached hereto. As noted in section X.B.1 of this Disclosure Statement, the Debtors cannot predict what future value the GUC Rights may or may not have.

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Equity Interest**	**Treatment of Claim/Equity Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
5	Intercompany Claims	Intercompany Claims shall be, at the option of the applicable Debtor with the consent of the Requisite First Lien Lenders, either: (i) Reinstated; or (ii) canceled and released without any distribution on account of such Claims.	N/A	0.0%/100.0%
6	Equity Interests in HoldCo	On the Effective Date, all Equity Interests in HoldCo shall be cancelled without any distribution on account of such Equity Interests.	N/A	0%
7	Intercompany Interests	Intercompany Interests shall be Reinstated and the legal, equitable and contractual rights to which Holders of Intercompany Interests are entitled shall remain unaltered to the extent necessary to implement the Plan.	N/A	100%
8	Section 510(b) Claims	Except to the extent that a Holder of an Allowed Section 510(b) Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of its Section 510(b) Claims, each Holder of an Allowed Section 510(b) Claim shall be treated as if such Holder was a Holder of Allowed Equity Interests in HoldCo.	N/A	0.0%

E. What will I receive from the Debtors if I hold an Allowed Administrative Claim, or a Priority Tax Claim?

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified and, thus, are excluded from the Classes of Claims and Interests set forth in Article III of the Plan. Administrative Claims will be satisfied as set forth in Article II.A of the Plan, and Priority Tax Claims will be satisfied as set forth in Article II.C of the Plan.

F. Are any regulatory approvals required to consummate the Plan?

No. There are no known regulatory approvals that are required to consummate the Plan.

G. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not confirmed or does not go effective, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative to the Plan may provide holders of Claims and Interests with less than they would have received pursuant to the Plan. For

a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* "Confirmation of the Plan—Best Interests of Creditors/Liquidation Analysis," which begins on page 43 of this Disclosure Statement, and the Liquidation Analysis attached hereto as **Exhibit F**.

H. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date," and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to holders of Allowed Claims will only be made on the date the Plan becomes effective—the "Effective Date"—or as soon as practicable thereafter, as specified in the Plan. *See* "Confirmation of the Plan," which begins on page 42 of this Disclosure Statement, for a discussion of the conditions precedent to consummation of the Plan.

I. What are the sources of consideration required to fund the Plan?

The Plan will be funded by the following sources of consideration: (a) Cash on hand, including cash from operations and the proceeds of the DIP Facilities, (b) the proceeds of the Exit Facilities, and (c) the New Equity, including the GUC Rights.

From and after the Effective Date, the Reorganized Debtors, subject to any applicable limitations set forth in any post-Effective Date agreement, shall have the right and authority without further order of the Bankruptcy Court to raise additional capital and obtain additional financing as the boards of directors of the applicable Reorganized Debtors deem appropriate.

J. Are there risks to owning the New Equity upon emergence from chapter 11?

Yes. *See* "Risk Factors," which begins on page 34 of this Disclosure Statement.

K. Is there potential litigation related to the Plan?

Parties in interest may object to the approval of this Disclosure Statement and may object to Confirmation of the Plan as well, which objection potentially could give rise to litigation. *See* Article X.A.1, which begins on page 34 of this Disclosure Statement.

In the event that it becomes necessary to confirm the Plan over the objection of certain creditors or rejecting Classes of Claims, the Debtors may seek confirmation of the Plan notwithstanding such objections or rejection. With respect to rejecting Classes of Claims, the Bankruptcy Court may confirm the Plan pursuant to the "cramdown" provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired Class if it determines that the Plan satisfies section 1129(b) of the Bankruptcy Code. *See* Article XII.E, which begins on page 43 of this Disclosure Statement.

L. What is the Management Incentive Plan and how will it affect the distribution I receive under the Plan?

As soon as reasonably practicable following the Effective Date, the New Board shall adopt the Management Incentive Plan. The New Equity issued in connection with the Management Incentive Plan dilutes the recovery to certain Holders as set forth in the Plan. For the avoidance of doubt, in no event are

the Debtors seeking nor is the Court approving any management incentive plan or other executive compensation plan under Section 503(c) of the Bankruptcy Code.

M. Will there be releases and exculpation granted to parties in interest as part of the Plan?

Yes, the Plan proposes that the Debtors and the Reorganized Debtors will release the Released Parties, that the Releasing Parties will release the Released Parties, and that the Exculpated Parties will be exculpated. The Debtors' releases, third-party releases, and exculpation provisions included in the Plan (as reflected below) are an integral part of the Debtors' overall restructuring efforts and were an essential element of the negotiations between the Debtors and the Consenting Parties in obtaining their support for the Plan pursuant to the terms of the Plan Support Agreement.

As defined in the Plan, "Released Parties" means, collectively: the Debtors, the Reorganized Debtors, the Prepetition ABL Agent, the Prepetition Term Loan Agent, the Prepetition ABL Lenders, the Prepetition Term Loan Lenders, the Owners, the DIP Agents, the DIP Lenders, the agents and lenders under the Exit Facilities, the Consenting Lenders, any party to the Plan Support Agreement, the Existing Equity Holders, the Official Committee, and with respect to each of the Entities listed above, such Entity's predecessors, successors, assigns, direct and indirect subsidiaries, affiliates, current and former officers and directors, principals, shareholders, employees, members, partners, managers, agents, advisory board members, attorneys, financial advisors, investment bankers, accountants, consultants, and other professionals or representatives each solely in their capacities as such; *provided, however*, that any Holder of a Claim or Interest that validly "opts out" of the release set forth in its Ballot shall not be a "Released Party."

As defined in the Plan, "Releasing Parties" means, collectively: the Debtors, the Reorganized Debtors, the Prepetition ABL Agent, the Prepetition Term Loan Agent, the Prepetition ABL Lenders, the Prepetition Term Loan Lenders, the Owners, the DIP Agents, the DIP Lenders, the agents and lenders under the Exit Facilities, the Consenting Lenders, any party to the Plan Support Agreement, the Existing Equity Holders, the Official Committee, all Holders of Claims or Interests that are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, all Holders of Claims or Interests that vote to accept or reject the Plan and do not affirmatively elect to "opt out" of being a Releasing Party and Released Party on such Holder's Ballot, all Holders of Claims or Interests in voting Classes that abstain from voting on the Plan and do not affirmatively elect to "opt out" of being a Releasing Party and Released Party on such Holder's Ballot, and, with respect to each of the Entities listed above, such Entity's predecessors, successors, assigns, direct and indirect subsidiaries, affiliates, current and former officers and directors, principals, shareholders, employees, members, partners, managers, agents, advisory board members, attorneys, financial advisors, investment bankers, accountants, consultants, and other professionals or representatives each solely in their capacities as such; *provided* that Holders of Claims or Interests (a) whose solicitation packages were returned to the Debtors or their agent as undeliverable or (b) who did not receive solicitation packages pursuant to paragraph 16(b) of the Disclosure Statement Order on account of service to such Holder of the notice of the disclosure statement hearing being returned undeliverable, shall not be "Releasing Parties" and such Holders shall be set forth on an exhibit to the voting report to be filed by the Notice and Claims Agent.

As defined in the Plan, "Exculpated Parties" means, collectively, the Exculpated Fiduciaries and the Section 1125(e) Parties. "Exculpated Fiduciaries" means, collectively, each of the following in their respective capacities as such: (x) the Debtors; (y) the Reorganized Debtors; and (z) with respect to each of (x) and (y) to the extent they were employed in such capacity on or after the Petition Date, such Entity's directors, officers, partners, managers, trustees, assigns, employees, agents, advisory board members, predecessors, successors, heirs, executors and assignees, attorneys, financial advisors,

investment bankers, accountants, consultants and other professionals or representatives. The Section 1125(e) Parties means, collectively, each of the following in their respective capacities as such (a) the DIP Agents, (b) the DIP Lenders, (c) the Prepetition ABL Agent, (d) the Prepetition ABL Lenders, (e) the Prepetition Term Loan Agent, (f) the Prepetition Term Loan Lenders, (g) the Exit ABL Agent, (h) the Exit ABL Lenders, (i) the Exit Term Loan Agent, (j) the Exit Term Loan Lenders, (k) the Existing Equity Holders, (l) the Consenting Lenders, (m) the Owners, (n) the Debtors' principals, members, affiliates, parents, and subsidiaries; (o) the Official Committee; and (p) with respect to each of the Entities named in (a) through (o) above, such Entity's directors, officers, current and former shareholders (regardless of whether such interests are held directly or indirectly), partners, managers, trustees, assigns, principals, members, employees, agents, affiliates, advisory board members, parents, subsidiaries, predecessors, successors, heirs, executors and assignees, attorneys, financial advisors, investment bankers, accountants, consultants and other professionals or representatives.

The Debtors believe that all of the Released Parties and the Exculpated Parties have made substantial and valuable contributions to the Debtors' restructuring through efforts to negotiate and implement the Plan, which will maximize and preserve the going-concern value of the Debtors for the benefit of all parties in interest. Accordingly, each of the Released Parties and the Exculpated Parties warrants the benefit of the release and exculpation provisions.

To the fullest extent permitted by law, (a) all Holders of Claims or Interests that are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, (b) all Holders of Claims or Interests that vote to accept or reject the Plan and do not affirmatively elect to "opt out" of being a Releasing Party and Released Party on such Holder's Ballot, and (c) all Holders of Claims or Interests in voting Classes that abstain from voting on the Plan and do not affirmatively elect to "opt out" of being a Releasing Party and Released Party on such Holder's Ballot will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties. The releases represent an integral element of the Plan.

Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard promulgated by the United States Court of Appeals for the Third Circuit. Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions. As set forth in Section X herein, the Releases (as well as the definitions of Released Parties and Releasing Parties) are subject to approval by the Bankruptcy Court at the Confirmation Hearing.

1. *Discharge of Claims and Termination of Equity Interests*

Pursuant to and to the fullest extent permitted by section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Equity Interests and Claims of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against the Debtors, the Reorganized 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, including demands, liabilities, and Causes of Action that arose before the Effective Date, 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 Equity Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Equity Interest is Allowed; or (3) the Holder of such Claim or Equity Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtors or their Affiliates with respect to any Claim or Equity Interest

that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan. For the avoidance of doubt, nothing in Article IX.A of the Plan shall affect the rights of Holders of Claims and Interests to seek to enforce the Plan, including the distributions to which Holders of Allowed Claims and Interests are entitled under the Plan.

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

2. *Releases by the Debtors*

PURSUANT TO SECTION 1123(B) OF THE BANKRUPTCY CODE, AND EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN, FOR GOOD AND VALUABLE CONSIDERATION, INCLUDING THE SERVICE OF THE RELEASED PARTIES TO FACILITATE THE EXPEDITIOUS REORGANIZATION OF THE DEBTORS AND THE IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED BY THE PLAN, PURSUANT TO THE CONFIRMATION ORDER AND ON AND AFTER THE EFFECTIVE DATE, THE RELEASED PARTIES AND THEIR RESPECTIVE PROPERTY ARE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER DEEMED RELEASED, ACQUITTED AND DISCHARGED BY THE DEBTORS, THE REORGANIZED DEBTORS AND THE DEBTORS' ESTATES FROM ANY AND ALL CLAIMS, DEBTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, DEBTS, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED OR ASSERTABLE ON BEHALF OF THE DEBTORS, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT, OR OTHERWISE, BY STATUTE, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE THAT THE DEBTORS, THE REORGANIZED DEBTORS, THE ESTATES OR THEIR AFFILIATES 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 EQUITY INTEREST OR OTHER ENTITY, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS (INCLUDING THE MANAGEMENT, OWNERSHIP, OR OPERATION THEREOF), THE REORGANIZED DEBTORS, THE CHAPTER 11 CASES, THE DIP AGREEMENTS AND DIP FACILITIES, THE DEBTORS' IN- OR OUT-OF-COURT RESTRUCTURING EFFORTS, THE PURCHASE, SALE OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PARTY (INCLUDING THE PREPETITION ABL FACILITY AND PREPETITION ABL DOCUMENTS), THE RESTRUCTURING OF CLAIMS AND EQUITY INTERESTS PRIOR TO OR IN THE CHAPTER 11

CASES, THE NEGOTIATION, FORMULATION OR PREPARATION OF THE PLAN, THE PLAN SUPPORT AGREEMENT, THE PLAN SUPPLEMENT, THE DISCLOSURE STATEMENT, THE DOCUMENTATION AND NEGOTIATION OF THE EXIT TERM LOAN FACILITY, THE EXIT ABL FACILITY, ANY OTHER EXIT FINANCING FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS, ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE.

THE FOREGOING RELEASE (1) SHALL NOT APPLY TO ANY EXPRESS CONTRACTUAL OR FINANCIAL OBLIGATIONS OR ANY RIGHT OR OBLIGATIONS ARISING UNDER OR THAT IS PART OF THE PLAN OR ANY AGREEMENTS ENTERED INTO PURSUANT TO, IN CONNECTION WITH OR CONTEMPLATED BY THE PLAN, (2) SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY THAT RESULTS FROM ANY SUCH ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED ACTUAL FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT, AND (3) SHALL NOT RELEASE ANY CLAIMS HELD BY ANY NON-DEBTOR. UPON THE EFFECTIVE DATE, INCLUDING THE EFFECTIVENESS OF THE RELEASES SET FORTH HEREIN AND AS WILL BE SET FORTH IN THE PLAN AND CONFIRMATION ORDER, ANY CLAIMS FILED BY AN OWNER WILL BE DEEMED EXPUNGED WITHOUT FURTHER ACTION. FOR THE AVOIDANCE OF DOUBT, THE DEBTORS AND REORGANIZED DEBTORS WILL CONTINUE TO HONOR ALL POSTPETITION AND POST-EFFECTIVE DATE OBLIGATIONS UNDER THE EXIT TERM LOAN FACILITY, THE EXIT ABL FACILITY, ANY OTHER EXIT FINANCING FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS.

3. *Releases by Holders of Claims and Equity Interests*

AS OF THE EFFECTIVE DATE, EACH OF THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A RELEASED PARTY) SHALL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER RELEASED, ACQUITTED AND DISCHARGED THE DEBTORS, THE REORGANIZED DEBTORS AND THE RELEASED PARTIES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, DEBTS, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED OR ASSERTABLE ON BEHALF OF A DEBTOR, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT OR OTHERWISE, BY STATUTE, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE THAT SUCH ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR EQUITY INTEREST OR OTHER ENTITY, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS (INCLUDING THE MANAGEMENT, OWNERSHIP, OR OPERATION THEREOF), THE REORGANIZED DEBTORS, THE DEBTORS' IN- OR OUT-OF-COURT RESTRUCTURING EFFORTS, THE CHAPTER 11 CASES, THE DIP AGREEMENTS AND DIP FACILITIES, THE PURCHASE, SALE OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PARTY (INCLUDING THE PREPETITION ABL FACILITY AND THE PREPETITION ABL DOCUMENTS), THE RESTRUCTURING OF CLAIMS AND EQUITY INTERESTS PRIOR TO OR DURING THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN,

THE PLAN SUPPORT AGREEMENT, THE PLAN SUPPLEMENT, THE DISCLOSURE STATEMENT, THE DOCUMENTATION AND NEGOTIATION OF THE EXIT TERM LOAN FACILITY, THE EXIT ABL FACILITY, ANY OTHER EXIT FINANCING FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS OR OTHER DOCUMENTS, ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE RELEASE SET FORTH ABOVE DOES NOT RELEASE (A) ANY OBLIGATION OF THE DEBTORS OR THE REORGANIZED DEBTORS ARISING UNDER OR IN CONNECTION WITH THE EXIT FACILITIES, (B) ANY POST-EFFECTIVE DATE OBLIGATIONS OF ANY PARTY OR ENTITY UNDER THE PLAN OR ANY DOCUMENT, INSTRUMENT OR AGREEMENT (INCLUDING THOSE SET FORTH IN THE PLAN SUPPLEMENT) EXECUTED TO IMPLEMENT THE PLAN (INCLUDING, FOR THE AVOIDANCE OF DOUBT, POST-EFFECTIVE DATE OBLIGATIONS ARISING UNDER OR IN CONNECTION WITH THE DIP TERM LOAN FACILITY, THE EXIT TERM LOAN FACILITY, THE EXIT ABL FACILITY, ANY OTHER EXIT FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS), OR (C) THE RIGHT TO RECEIVE DISTRIBUTIONS FROM THE DEBTORS OR THE REORGANIZED DEBTORS ON ACCOUNT OF AN ALLOWED CLAIM AGAINST THE DEBTORS PURSUANT TO THIS PLAN.

NOTWITHSTANDING THE FOREGOING, THE DEBTORS AND THE REORGANIZED DEBTORS WILL CONTINUE TO HONOR ALL POSTPETITION AND POST-EFFECTIVE DATE OBLIGATIONS UNDER ANY ASSUMED EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN ACCORDANCE WITH THEIR TERMS, REGARDLESS OF WHETHER SUCH OBLIGATIONS ARE LISTED AS A CURE AMOUNT, AND WHETHER SUCH OBLIGATIONS ACCRUED PRIOR TO OR AFTER THE EFFECTIVE DATE, AND NEITHER THE PAYMENT OF CURE NOR ENTRY OF THE CONFIRMATION ORDER SHALL BE DEEMED TO RELEASE THE DEBTORS OR THE REORGANIZED DEBTORS FROM SUCH OBLIGATIONS.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE RELEASE SET FORTH ABOVE (1) DOES NOT RELEASE THE PERSONAL LIABILITY OF ANY OF THE AFOREMENTIONED RELEASED PARTIES FOR ANY STATUTORY VIOLATION OF APPLICABLE TAX LAWS OR BAR ANY RIGHT OF ACTION ASSERTED BY A GOVERNMENTAL TAXING AUTHORITY AGAINST THE AFOREMENTIONED RELEASED PARTIES FOR ANY STATUTORY VIOLATION OF APPLICABLE TAX LAWS AND (2) SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY THAT RESULTS FROM ANY SUCH ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED ACTUAL FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT.

4. ***Exculpation***

UPON AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE DEBTORS AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS, INVESTMENT BANKERS, FINANCIAL ADVISORS, RESTRUCTURING CONSULTANTS AND OTHER PROFESSIONAL ADVISORS AND AGENTS WILL BE DEEMED TO HAVE SOLICITED ACCEPTANCES OF THIS PLAN IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE, INCLUDING SECTION 1125(E) OF THE BANKRUPTCY CODE.

EXCEPT WITH RESPECT TO ANY ACTS OR OMISSIONS EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS, THE EXCULPATED FIDUCIARIES (AND, SOLELY TO THE EXTENT APPROPRIATE UNDER AND PROVIDED BY SECTION 1125(E) OF THE BANKRUPTCY CODE, THE SECTION 1125(E)

PARTIES), SHALL NEITHER HAVE, NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH, OR RELATED TO FORMULATING, NEGOTIATING, PREPARING, DISSEMINATING, IMPLEMENTING, ADMINISTERING, CONFIRMING, OR EFFECTING THE PLAN OR ANY CONTRACT, INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THE PLAN OR ANY OTHER PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OF THE DEBTORS; PROVIDED THAT THE FOREGOING "EXCULPATION" SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY THAT RESULTS FROM ANY SUCH ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT; PROVIDED, FURTHER, THAT TO THE EXTENT PERMITTED BY APPLICABLE LAW EACH EXCULPATED PARTY SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER OR ITS DUTIES PURSUANT TO, OR IN CONNECTION WITH, THE PLAN OR ANY OTHER RELATED DOCUMENT, INSTRUMENT, OR AGREEMENT.

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, INCLUDING WITH REGARD TO THE DISTRIBUTIONS OF NEW EQUITY AND ISSUANCE OF GUC RIGHTS PURSUANT TO THE PLAN AND, THEREFORE, ARE NOT AND SHALL NOT BE LIABLE AT ANY TIME FOR THE VIOLATIONS 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.

5. *Injunction*

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT: (A) ARE SUBJECT TO COMPROMISE AND SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (B) HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.B. OF THE PLAN; (C) HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.C. OF THE PLAN, (D) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE IX.D. OF THE PLAN (BUT ONLY TO THE EXTENT OF THE EXCULPATION PROVIDED IN ARTICLE IX.D. OF THE PLAN), OR (E) ARE OTHERWISE DISCHARGED, SATISFIED, STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY ACTION OR OTHER PROCEEDING, INCLUDING ON ACCOUNT OF ANY CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED) ON ACCOUNT OF, OR IN CONNECTION WITH OR WITH RESPECT TO, ANY DISCHARGED, RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES; *PROVIDED* THAT, FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS INJUNCTION SHALL PREVENT ANY OWNER FROM UTILIZING ITS WORTHLESS STOCK DEDUCTION IN ACCORDANCE WITH THE PROCEDURES SET FORTH IN SECTION 4(E) OF THE PLAN SUPPORT AGREEMENT.

N. What impact does a potential Claims Bar Date have on my Claim?

On January 10, 2018, the Bankruptcy Court entered the *Order (I) Settling Bar Dates for Filing Proofs of Claim, Including Requests for Payment Under Section 503(b)(9), (II) Establishing Amended Schedules Bar Date and Rejection Damages Bar Date, (III) Approving the Form of and Manner for Filing Proofs of Claim, Including Section 503(b)(9) Requests, and (IV) Approving Form and Manner of Notice Thereof* [D.I. 299], which establishes bar dates by which the following entities holding Claims against the Debtors that arose (or that are deemed to have arisen) prior to the Petition Date (including, without limitation, Class 4: General Unsecured Claims), must file proofs of claim (the "Bar Date"): (a) any entity whose claim against a Debtor is not listed in the applicable Debtor's Schedules or is listed as contingent, unliquidated, or disputed if such entity desires to participate in any of these chapter 11 cases or share in any distribution in any of these chapter 11 cases; (b) any entity that believes that its claim is improperly classified in the Schedules or is listed in an incorrect amount and that desires to have its claim allowed in a different classification or amount other than that identified in the Schedules; (c) any entity that believes that its prepetition claims as listed in the Schedules is not an obligation of the specific Debtor against which the claim is listed and that desires to have its claim allowed against a Debtor other than that identified in the Schedules; and (d) any entity that believes that its claim against a Debtor is or may be an administrative expense pursuant to section 503(b)(9) of the Bankruptcy Code.

In accordance with Bankruptcy Rule 3003(c)(2), if any person or entity that is required, but fails, to file a proof of claim on or before the applicable Bar Date: (a) such person or entity may be forever barred, estopped, and enjoined from asserting such Claim against the Debtors (or filing a proof of claim with respect thereto); (b) the Debtors and their property may be forever discharged from any and all indebtedness or liability with respect to or arising from such Claim; (c) such person or entity may not receive any distribution in the Chapter 11 Cases on account of that Claim; and (d) such person or entity may not be permitted to vote on any plan or plans of reorganization for the Debtors on account of these barred Claims or receive further notices regarding such Claim.

O. What is the deadline to vote on the Plan?

The Voting Deadline is March 23, 2018, at 4:00 p.m. (prevailing Eastern Time).

P. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the Ballots distributed to holders of Claims that are entitled to vote on the Plan. For your vote to be counted, your ballot must be completed and signed so that it is ***actually received*** by March 23, 2018, at 4:00 p.m. (prevailing Eastern Time) at the following address:

Charming Charlie Holdings Inc. *et al.* Claims Processing
Rust Consulting/Omni Bankruptcy
5955 De Soto Avenue, Suite 100
Woodland Hills, California 91367

For more detail on voting and solicitation procedures, *see* Article XI of this Disclosure Statement, which begins on page 41 of this Disclosure Statement.

Q. Why is the Bankruptcy Court holding a Confirmation Hearing?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to Confirmation of the Plan.

R. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for April 3, 2018, at 10:00 a.m. (prevailing Eastern Time). The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation of the Plan must be filed and served on the Debtors, and certain other parties, by no later than March 23, 2018, at 4:00 p.m. (prevailing Eastern Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as **Exhibit C** and incorporated herein by reference.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing, in the *New York Times*, National Edition, to provide notification to those persons who may not receive notice by mail. The Debtors may also publish the notice of the Confirmation Hearing in such trade or other publications as the Debtors may choose.

S. What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under a plan of reorganization, any person acquiring property under a plan of reorganization, any creditor or equity interest holder of a debtor, and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of such plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

T. What is the effect of the Plan on the Debtors' ongoing business?

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. As a result, Confirmation means that the Debtors will not be liquidated or forced to go out of business. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Debtors in consultation with the Requisite First Lien Lenders, that is a Business Day no later than 95 Business Days after the Petition Date (which date may be modified in accordance with the provisions set forth in the Interim DIP Order, the Final DIP Order, and the Plan Support Agreement) on which: (a) no stay of the Confirmation Order is in effect and (b) all conditions specified in Article VIII.A of the Plan have been (i) satisfied or (ii) waived, pursuant to Article VIII.A of the Plan. *See* Article VIII of the Plan. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their businesses and, except as otherwise provided by the Plan, 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. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

U. Will any party have significant influence over the corporate governance and operations of the Reorganized Debtors?

The existing officers of the Debtors, as of the Petition Date, shall remain in their current capacities as officers of the Reorganized Debtors, subject to the ordinary rights and powers of the New

Board to remove or replace them in accordance with the Debtors' organizational documents and any applicable employment agreements.

The New Board will initially consist of directors who will be designated in accordance with the Plan Support Agreement. To the extent known, the identity of the members of the New Board will be disclosed in the Plan Supplement or prior to the Confirmation Hearing. Except to the extent that a member of the board of directors of a Debtor continues to serve as a director of such Reorganized Debtor on the Effective Date, the members of the board of directors of each Debtor prior to the Effective Date, in their capacities as such, shall have no continuing obligations to the Reorganized Debtors on or after the Effective Date and each such director will be deemed to have resigned or shall otherwise cease to be a director of the applicable Debtor on the Effective Date. Commencing on the Effective Date, each of the directors and officers of each of the Reorganized Debtors shall serve pursuant to the terms of the applicable New Organizational Documents of such Reorganized Debtor and may be replaced or removed in accordance with such New Organizational Documents.

V. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Debtors' notice, claims, and solicitation agent, Rust Omni:

By regular, hand delivery, or overnight mail mail at:	**By electronic mail at:**	**By telephone at:**
Charming Charlie Holdings Inc., et al. Ballot Processing c/o Rust Consulting/Omni Bankruptcy 5955 DeSoto Ave., Suite 100 Woodland Hills, CA 91367.	charmingcharlie@omnimgt.com	818-906-8300

Copies of the Plan, this Disclosure Statement, and any other publicly filed documents in the Chapter 11 Cases are available upon written request to the Debtors' notice, claims, and solicitation agent at the address above or by downloading the exhibits and documents from the website of the Debtors' notice, claims, and solicitation agent at http://www.omnimgt.com/charmingcharlie (free of charge) or the Bankruptcy Court's website at www.deb.uscourts.gov (for a fee).

W. Do the Debtors recommend voting in favor of the Plan?

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Debtors believe the Plan, which contemplates a significant deleveraging, is in the best interest of all holders of Claims, and that other alternatives fail to realize or recognize the value inherent under the Plan.

X. Who Supports the Plan?

The Plan is supported by, among others, the Debtors, Holders of approximately 88% Prepetition Term Loan Claims, and the Owners, all as set forth in the Plan Support Agreement.

V. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

A. Additional Important Information

The confirmation and effectiveness of the Plan are subject to certain material conditions precedent described herein and set forth in Article VIII of the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied for the Plan to go effective will be satisfied (or waived).

You are encouraged to read this Disclosure Statement in its entirety, including the section entitled "Risk Factors" and the Plan before submitting your ballot to vote on the Plan.

The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein or an endorsement by the Bankruptcy Court of the merits of the Plan.

Summaries of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan. The summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference are qualified in their entirety by reference to those documents. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and Confirmation of, the Plan and may not be relied on for any other purpose. In the event of any inconsistency between the Disclosure Statement and the Plan, the relevant provisions of the Plan will govern.

This Disclosure Statement has not been approved or disapproved by the SEC or any similar federal, state, local or foreign regulatory agency, nor has the SEC or any other agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.

The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement; however, the financial information contained in this Disclosure Statement or incorporated herein by reference has not been, and will not be, audited or reviewed by the Debtors' independent auditors unless explicitly provided otherwise.

Upon Confirmation of the Plan, certain of the securities described in this Disclosure Statement will be issued without registration under the Securities Act, or similar federal, state, local, or foreign laws, in reliance on the exemption set forth in section 1145 of the Bankruptcy Code. Other securities may be issued pursuant to other applicable exemptions under the federal securities laws, if any. To the extent exemptions from registration under section 1145 of the Bankruptcy Court do not apply, the securities may not be offered or sold except pursuant to a valid exemption or upon registration under the Securities Act.

The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under federal securities laws. The Debtors consider all statements regarding anticipated or future matters, to be forward-looking statements. Forward-looking statements may include statements about the Debtors':

- business strategy;

- estimated future net reserves and present value thereof;
- technology;
- financial condition, revenues, cash flows, and expenses;
- levels of indebtedness, liquidity, and compliance with debt covenants;
- financial strategy, budget, projections, and operating results;
- the amount, nature, and timing of capital expenditures, including future development costs;
- availability and terms of capital;
- the integration and benefits of asset and property acquisitions or the effects of asset and property acquisitions or dispositions on the Debtors' cash position and levels of indebtedness;
- costs of developing the Debtors' properties and conducting other operations;
- general economic conditions;
- counterparty credit risk;
- the outcome of pending and future litigation;
- uncertainty regarding the Debtors' future operating results; and
- plans, objectives, and expectations;
- variations in the market demand for, and prices of, the Debtors' key product lines;
- uncertainty regarding the liquidity and cost savings generated by the Store Closings;
- inability to predict the success of Landlord Negotiations;
- the adequacy of the Debtors' capital resources and liquidity including, but not limited to, access to additional borrowing capacity under the DIP Facilities and Exit ABL Facility;
- access to capital and general economic and business conditions;
- risks in connection with acquisitions;
- the potential adoption of new governmental regulations that affect the Debtors' businesses; and
- the Debtors' ability to satisfy future cash obligations.

Statements concerning these and other matters are not guarantees of the Reorganized Debtors' future performance. There are risks, uncertainties, and other important factors that could cause the Debtors' actual performance or achievements to be different from those they may project, and the Debtors undertake no obligation to update the projections made herein. These risks, uncertainties, and factors may include: the Debtors' ability to confirm and consummate the Plan; the Debtors' ability to reduce its overall financial leverage; the potential adverse impact of the Chapter 11 Cases on the Debtors'

operations, management, and employees, and the risks associated with operating the Debtors' businesses during the Chapter 11 Cases; customer and vendor responses to the Chapter 11 Cases; the Debtors' inability to discharge or settle Claims during the Chapter 11 Cases; general economic, business and market conditions; currency fluctuations; interest rate fluctuations; price increases; exposure to litigation; a decline in the Debtors' market share due to competition or price pressure by customers; the Debtors' ability to implement cost reduction initiatives in a timely manner; the Debtors' ability to divest existing businesses; financial conditions of the Debtors' customers; adverse tax changes; limited access to capital resources; changes in domestic and foreign laws and regulations; trade balance; natural disasters; geopolitical instability; and the effects of governmental regulation on the Debtors' businesses.

VI. THE DEBTORS' CORPORATE HISTORY, STRUCTURE, AND BUSINESS OVERVIEW

A. The Debtors

Headquartered in Houston, Texas, Charming Charlie operates both nationwide and worldwide in brick-and-mortar retail stores, selling accessories, fashion jewelry, holiday-specific products, and handbags. Priced between the prices offered by stores like Claire's, on the phone hand, and Macy's and Kohl's, on the other hand, Charming Charlie's target demographic is women aged 35 to 55. Charming Charlie generates revenue through its brick-and-mortar retail stores (approximately 270 stores located 42 states nationwide) and its growing eCommerce platform. The Debtors have various foreign subsidiaries that are not part of the Chapter 11 Cases and have not filed parallel foreign insolvency proceedings.

B. Assets and Operations

- ***Overview of Supply Chain***. The Debtors maintain an integrated supply chain aimed at ensuring the uninterrupted flow of fresh merchandise to their brick-and-mortar locations. Generally, the Debtors contract with various domestic vendors to design and source the merchandise from foreign manufacturers, located predominantly in the People's Republic of China, India, and Vietnam. In limited circumstances, the Debtors contract with foreign manufacturers directly. Depending on the nature of the Debtors' arrangement with a given vendor or manufacturer, the Debtors ship the merchandise to a warehouse located in Houston, Texas, that serves as the Debtors' distribution center. As discussed in greater detail below, as part of the "Back-to-Basics" strategy, the Debtors are taking active steps to both streamline their vendor base as well as shift to domestic vendors to accelerate receipt of goods.

- "***Back to Basics" Strategy***. Before the Petition Date, the Debtors launched a "Back-to-Basics" strategy consisting of six fundamental components: (a) refocusing on product assortment (*e.g.*, focusing on the five key merchandise categories that have historically proven to be profitable); (b) realigning the vendor base (*e.g.*, a 45% reduction in the vendor base and selectively onboard new vendors); (c) enhancing the customer experience (*e.g.*, re-evaluating in-store product layout, reducing the administrative burden on sales associates); (d) optimizing marketing (*e.g.*, improving the in-store product layout, maximizing the effectiveness of existing market channels); (e) implementing organizational changes (*e.g.*, realigning the Debtors' merchant base to better react to trends); and (f) growing the company's eCommerce offering (*e.g.*, creating a more synchronized experience between the in-store and online presence). Additional information regarding the Debtors' "Back-to-Basics" Strategy is set forth in the First Day Declaration.

- **Real Estate Footprint**. As detailed in the Debtors' Motion Seeking Entry of Interim and Final Orders (I) Authorizing the Debtors to Assume the Agency Agreement, (II) Approving

Procedures for Store Closing Sales, and (III) Granting Related Relief [D.I. 11], which was approved on an interim basis on December 13, 2017 [D.I. 99] and on a final basis on January 10, 2018 [D.I. 280], the Debtors commenced the process of closing 97 stores in late November 2017. Prior to commencing the Store Closings, the Debtors actively engaged with the respective landlords on the timing of the commencement of Store Closings, the expected vacancy date, and the appropriate signage. The Debtors completed the Store Closings of the aforementioned 97 stores and vacated such stores on or before December 31, 2017. The Debtors currently intend to continue operating the remaining approximately 240 locations as go-forward locations, subject to the Landlord Negotiations.

- ***Landlord Negotiations***. Simultaneously with the commencement of Store Closings, the Debtors commenced discussions with their go-forward landlords, in the hopes of obtaining critical relief with respect to postpetition rent obligations to ease constraints on the Debtors' liquidity during their Chapter 11 Cases. Those discussions are ongoing.

C. Prepetition Capital Structure

As of the Petition Date, Charming Charlie's significant funded debt obligations include:

- approximately $22 million of principal amount under the Prepetition ABL Facility, all of which was converted into DIP ABL Claims; and

- approximately $132 million of principal amount of obligations under the Prepetition Term Loan.

(a) Prepetition ABL Facility

Debtors Charming Charlie LLC and Charming Charlie USA, Inc. ("CC USA") are parties to Prepetition ABL Agreement by and among Charming Charlie LLC, as lead borrower, CC USA, as borrower, the guarantors party thereto,[7] the Prepetition ABL Lenders and the ABL Agent. The Prepetition ABL Facility provides for a $55 million senior secured revolving credit facility (subject to a borrowing base composed primarily of inventory and credit card receivables) with a maturity date that is the earlier of (a) June 22, 2020 or (b) 45 days prior to the stated maturity date of the Term Loan Facility and any permitted refinancing thereof.

The Prepetition ABL Facility provides for LIBOR loans and Prime Rate loans. The LIBOR loans bear interest at LIBOR plus an applicable margin of (a) 2.25% if the Average Daily Excess Availability Percentage (as defined in the ABL Facility Credit Agreement) exceeds 25% or (b) 2.50% if the Average Daily Excess Availability Percentage is equal to 25% or less. Obligations under the Prepetition ABL Facility are secured by an all asset lien, including, without limitation, a first priority lien on the Debtors' accounts (including receivables), inventory, deposit accounts, security accounts, cash, and cash equivalents, and a second priority lien on certain other property of the grantors, including, without limitation the Debtors' intellectual property and all equity interests of the Debtors and their subsidiaries (collectively, the "ABL Collateral"). Each non-borrower Debtor has guaranteed all obligations under the ABL Facility.

Additionally, the Debtors have entered into deposit account control agreements in favor of the Prepetition ABL Agent with respect to their bank accounts. Thus, substantially all of the Debtors' cash is

[7] The guarantors under the ABL Facility are Holdings, Poseidon Partners CMS, Inc. ("Poseidon"), Charming Charlie Manhattan LLC ("CC Manhattan"), Charming Charlie International LLC, ("CC International"), and Charming Charlie Canada LLC ("CC Canada").

subject to a perfected security interest in favor of the ABL Agent. Under the Prepetition ABL Facility, if excess availability is less than either (a) 12.5% of the then-applicable borrowing base (or, if less, the total commitments) or (b) $5 million, the Debtors must remit all cash receipts on a daily basis to a non-Debtor account maintained by the ABL Agent (the "Agent Account"). Due to the Debtors' ongoing liquidity constraints, the excess availability under the ABL Facility was less than 12.5% as of the Petition Date and has been constrained for many months preceding the Petition Date. Accordingly, each day, any excess cash is swept to the Agent Account and applied to prepay loans in accordance with the Prepetition ABL Facility. As of the Petition Date, there was approximately $1.8 million of availability under the Prepetition ABL Facility.

Pursuant to the Interim DIP Order, all outstanding Prepetition ABL Claims were converted into DIP ABL Claims. As a result, there are no outstanding Prepetition ABL Claims, other than contingent indemnification claims.

(b) Prepetition Term Loan

Debtor Charming Charlie LLC is party to that the Prepetition Term Loan Agreement, among Holdings, Charming Charlie LLC, as borrower, certain of the Debtors as guarantor parties thereto, the lenders from time to time parties thereto, and the Term Loan Agent. The Prepetition Term Loan Facility provides for a loan in an original principal amount of $150 million, with a maturity date of December 24, 2019. Debtor CC USA, in addition to certain Debtors, has guaranteed all obligations under the Prepetition Term Loan Facility. Obligations under the Prepetition Term Loan Facility are secured by an all assets lien, including, without limitation, a second priority lien on the Debtors' accounts (including receivables), inventory, deposit accounts, security accounts, cash, and cash equivalents and a first priority lien on certain other property of the Debtors, including, without limitation, the Debtors' intellectual property and all equity interests of the Debtors and their subsidiaries (collectively, the "Term Loan Collateral"). As of the Petition Date, approximately $131.3 million in aggregate principal amount remained outstanding under the Prepetition Term Loan Facility, and approximately $773,000 in PIK Interest accrued to balance, for a total outstanding balance of approximately $132 million.

(c) The 2013 Recapitalization

On December 24, 2013, the Debtors completed a series of recapitalization transactions (the "Recapitalization") whereby:

- **Redemption and Repurchase of Equity**. Twelve million shares of Junior Preferred Stock in Debtor Charming Charlie Holdings, Inc. were converted into 72 million shares of common equity interests of Debtor Charming Charlie Holdings, Inc. on a split-adjusted basis.

- The proceeds of such transactions were used to (1) repurchase approximately 51.6 million common equity interests of Charming Charlie Holdings, Inc. or approximately 40% of the outstanding common equity, after giving effect to the equity split and (2) increase the Debtors' physical footprint.

- **New Money Investment**. TSG invested $79 million in cash (before expenses) in exchange for 17.7 million shares of Series T Preferred Stock issued by Debtor Charming Charlie Holdings, Inc.

- **Entry into Prepetition Term Loan Facility**. The Debtors entered into the Prepetition Term Loan Facility in the aggregate principal amount of $150 million.

- The Debtors recorded a $234.2 million decrease in retained earnings to reflect the equity repurchase and subsequent retirement of such interests.

VII. EVENTS LEADING TO THE CHAPTER 11 FILINGS

A confluence of factors contributed to the Debtors' need to commence these chapter 11 cases. These factors include the general downturn in the retail industry, which led to a decrease in sales and increased operating losses, and the marked shift away from brick-and-mortar retail to online channels. These factors have made it increasingly difficult for Debtors to maintain their cost structure as sales have remained slightly depressed, and impaired the Debtors' liquidity.

A. Challenging Operating Environment and Operational Right Sizing

The Debtors, like many other apparel and retail companies, have faced a challenging commercial environment as of late brought on by a shift away from traditional shopping at brick-and-mortar stores. Given the Debtors' substantial brick-and-mortar presence and associated expenses, the Debtors' businesses have been heavily dependent on store traffic and resulting sales conversions to meet sales and profitability targets. However, the apparel retail industry has made a permanent shift towards a more online-centric platform, in which retailers are selling more of their products via company websites or through larger retailers such as Amazon. This has contributed to the Debtors' negative or declining same store sales trends since the second quarter of 2016, with accelerating declines throughout 2016 and into 2017.

In addition to the challenges facing brick-and-mortar stores, the Debtors have also suffered from recent merchandising miscalculations that have contributed to the decline in EBITDA. These missteps have occurred in both product selection and brand execution. ***First***, Charming Charlie's continued emphasis on jewelry exposed the Debtors to sensitivity in an overall declining jewelry market. ***Second***, the brand suffered from an unsuccessful redesign. Specifically, Charming Charlie implemented a strategy in the third quarter of 2014 that attempted to redefine the brand by, among other things, eliminating key styles and product categories. Unfortunately, this approach inadvertently disenfranchised Charming Charlie's core customers (who had come to expect the wide assortment of variety and style central to the Charming Charlie brand) and resulted in a dramatic decline in traffic and conversion rates. ***Third***, the Charming Charlie brand became reactive, missing opportunities to timely allocate resources to projects likely to produce a higher rate of investment. ***Fourth***, efforts to control expenses resulted in lagging markdowns that eroded profit margins.

B. Supply Chain and Borrowing Base Challenges

Crippling macroeconomic conditions coupled with operational challenges led to tightening liquidity beginning in July 2017. Vendors began to demand cash-on-delivery terms, which the Debtors' constrained liquidity could not satisfy. As a result, fresh inventory became increasingly difficult to acquire, and as inventory levels fell, the Debtors' borrowing base under the Prepetition ABL Facility shrank. This began a self-fulling spiral, in which a lower borrowing base handcuffed the Debtors' ability to borrow under the Prepetition ABL Facility, the inability to borrow in turn handcuffed the Debtors' ability to buy fresh inventory, and the inability to purchase inventory depressed the borrowing base availability.

C. Prepetition Deleveraging Efforts

(a) The May 2016 Term Loan Facility Amendments

In May 2016, the Debtors amended the Prepetition Term Loan Agreement to obtain critical relief from restrictive financial maintenance covenants. In exchange, the Debtors were required to provide a

$10 million Prepetition Term Loan principal prepayment no later than May 2016, and an additional $5 million principal prepayment no later than the end of fiscal year 2016. The initial $10 million principal prepayment of the Prepetition Term Loan was funded by various investors, including Mr. Chanaratsopon and Hancock, in exchange for approximately 1.5 million shares of Series A Preferred Stock.

(b) The July 2017 Term Loan and ABL Facility Amendments

In July 2017, the Debtors executed amendments to both the Prepetition Term Loan Agreement and Prepetition ABL Facility Agreement. Together, these amendments resulted in a modest rate increase and small fee, the implementation of transactional milestones, and greater covenant flexibility (including a ticking fee, borrower-friendly changes on the excess cash flow provisions, and agreement on certain amortization parameters).

(c) Efforts to Obtain a "First-In, Last-Out" Loan to Obtain Incremental Liquidity.

Despite the December 2016 cost-cutting initiatives described below, incremental amendments to the Prepetition ABL Facility and the Prepetition Term Loan Facility, and implementation of the Back-to-Basics Strategy, the Debtors faced a liquidity crisis in the summer of 2017 following sustained market conditions and operational losses. On October 9, 2017, the Debtors re-engaged Guggenheim Securities, LLC ("Guggenheim Securities") to act as the Company's financial advisor and/or investment banker in connection with certain restructuring and other transactions. The Debtors, with the assistance of Guggenheim Securities, evaluated funding alternatives necessary to obtain liquidity critical to unlocking withheld inventory and implementing Charming Charlie's go-forward business plan reflecting the "Back-to-Basics" plan. In October 2017, the Debtors negotiated with various Prepetition Term Loan Lenders to obtain a $10 million first-in, last-out term loan (the "FILO Term Loan"), secured by a first lien on ABL Priority Collateral (as defined in the Intercreditor Agreement) and a second lien on the existing Term Loan Collateral. On October 25, 2017, the Debtors received FILO Term Loan term sheets from certain Term Loan Lenders; however, the Debtors determined that the proposed terms failed to provide a sufficient near-term solution. Specifically, the Debtors determined that, given their severe liquidity constraints and the need to unlock inventory in advance of the critical holiday season, new money in the form of a FILO Term Loan was not feasible

(d) The Third Amendment to the Prepetition ABL Facility

As an alternative to the FILO Term Loan, the Debtors sought to amend the Prepetition ABL Facility to obtain additional liquidity, which the Prepetition ABL Lenders consented to provide. On October 27, 2017, the Debtors, the ABL Lenders, and the ABL Agent, executed that certain third amendment to the Prepetition ABL Facility (the "Third Amendment"). Among other changes, the Third Amendment adjusted the current advance rates applicable under the Prepetition ABL Facility, and temporarily reduced the Minimum Excess Availability threshold from $4 million to $2 million until December 2, 2017, allowing the Debtors to access approximately $4.5 million in incremental liquidity under the Prepetition ABL Facility.

In consideration for providing additional liquidity to the Debtors, the Third Amendment increased the interest rates under the ABL Facility by 0.50% per annum and included a 1.0% prepayment premium required to be paid upon termination in full of all or any portion of the commitments under the Prepetition ABL Facility, acceleration of the loans thereunder, and satisfaction of the loans thereunder or termination of the ABL Facility. As discussed in the motion seeking entry of the Interim DIP Order and Final DIP Order, the Prepetition ABL Agent and the Prepetition ABL Lenders have provided further support to the Debtors by agreeing to waive this prepayment premium in connection with the DIP ABL Facility.

D. Prepetition Operational Right-Sizing Efforts

In conjunction with the Debtors' prepetition deleveraging efforts, the Debtors launched an operational right-sizing and "back to basics" strategy described in Article VII.B. herein. In addition, in December 2016, the Debtors commenced a series of "cost-cutting" measures including with respect to store operations, advertising efforts, administrative processes, and the legal and human resources departments, among others. The functional areas most significantly affected by these cost-cutting efforts included store payroll, advertising, and merchandise sourcing and distribution, with anticipated annual savings of approximately $15.6 million, $6.6 million, and $2.8 million, respectively. These initiatives are ongoing.

E. Management Changes

As of October 27, 2017, Mr. Chanaratsopon no longer serves as Chief Executive Officer, although he continues to serve on the Debtors' board of directors. Contemporaneously therewith, Lana Krauter was appointed to serve as the Debtors' interim Chief Executive Officer. At the same time Mr. Chanaratsopon vacated his role as Chief Executive Officer, Steve Lovell, President of Charming Charlie, Inc., also stepped down from his role.

F. Marketing Efforts

In conjunction with obtaining key covenant relief, improving liquidity, and operationally right-sizing their operations, the Debtors and their advisors commenced a two-prong marketing process: (a) first, a marketing process to sell substantially all of the Debtors' assets and (b) second, a marketing process to obtain DIP financing.

(a) Enterprise Marketing Effort

Starting in October 2017, Guggenheim Securities and the Debtors prepared a list of 28 potential investors (including various financial sponsors and strategic buyers) that were considered likely participants in a sale process, as well as to gauge their interest in providing capital to the Debtors, either independently or in connection with an alternative comprehensive restructuring proposal. Following the initial outreach to the identified 28 parties, thirteen parties executed non-disclosure agreements ("NDAs"). Parties who executed NDAs received access to a dataroom. Ultimately, only one party provided a proposal for an independent postpetition term loan, but the terms of the proposal were not superior to those provided by the Prepetition Term Loan Lenders and, for reasons previously disclosed to the Bankruptcy Court, would have required the consent of the Prepetition Term Loan Lenders to execute.

(b) DIP Marketing

In connection with a chapter 11 filing, in November 2017, the Debtors, with the assistance of Guggenheim Securities, initiated two parallel processes for identifying sources of capital on the best available terms: (a) negotiations with the Debtors' existing funded debt stakeholders and (b) a marketing process with potential alternatives sources of capital from parties outside the Debtors' existing capital structure. Specifically, the Debtors, with the assistance of Guggenheim Securities, began soliciting indications of interest from 11 alternative third-party sources of asset based financing (including specialty lenders and those that routinely provide debtor-in-possession financing), to gauge their interest in providing a revolving credit facility to the Debtors.

From this group, seven parties requested NDAs, and six parties signed NDAs and obtained access to the dataroom. No party provided a proposal for alternative financing, with some citing priming concerns and the likely high costs of third-party senior financing.

As set forth in greater detail in the DIP Motion and accompanying declaration, the Debtors efforts ultimately culminated in the DIP ABL Facility and the DIP Term Loan Facility. Both the DIP ABL Facility and the Term Loan DIP Facility are being provided by the Debtors' existing lenders. Notably, substantially all of the Ad Hoc Group of Term Loan Lenders are participating in the Term Loan DIP Facility. Additionally, in addition to providing critical financing during the Debtors' chapter 11 cases, the Debtors' negotiated the DIP Facilities with the express purpose of preserving cash as far as possible. As a result, the DIP ABL Facility paid down the claims under the ABL Facility (which, as oversecured claims, would have otherwise accrued interest during the Debtors' chapter 11 cases) and the Term Loan DIP Facility will be satisfied with new debt and New Equity (as opposed to a cash recovery). In short, despite the Debtors' robust marketing efforts, the best—and only actionable—proposal to preserve the Debtors' long-term sustainability were the DIP Facilities.

G. Convergence of Restructuring Discussions and Execution of Plan Support Agreement and Term Sheet Contemplating Plan

As 2017 came to a close, the Debtors redoubled their efforts to unite their existing stakeholders and exhaustively explore the potential of a comprehensive transaction with a strategic or financial purchaser. Ultimately, it became clear that (a) there was currently no actionable third-party proposal for either a holistic transaction or a financing transaction; (b) the Debtors' ultimate path to exit would require widespread consensus from their secured creditors to limit the amount of Cash that would otherwise have to be paid to satisfy such creditors pursuant to a plan of reorganization; and (c) an imminent chapter 11 filing—before the end of the December holiday season—was critical to unlocking fresh inventory and ensuring the Debtors' stores would be stocked for the spring 2018 holiday season.

As a result, 13 days before the Debtors historically busiest season, the Debtors determined to pursue a consensual transaction with the Consenting Parties for a number of reasons as reflected in the Plan Support Agreement and the Term Sheet. ***First***, the Term Sheet reflects the support of the Consenting Parties. ***Second***, the transactions contemplated by the Plan Support Agreement and the Term Sheet provide greater certainty of closing than any other potentially viable option. ***Third***, speed was key and the Debtors had not been able to secure acceptable and committed financing from any other party in advance of the Petition Date.

VIII. ANTICIPATED EVENTS OF THE CHAPTER 11 CASES

A. Corporate Structure Upon Emergence

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

B. Expected Timetable of the Chapter 11 Cases

The Debtors expect the Chapter 11 Cases to proceed quickly. Should the Debtors' projected timelines prove accurate, and consistent with the terms set forth in the Plan Support Agreement, the Debtors could emerge from chapter 11 within 125 days of the Petition Date (i.e., April 15, 2018) or earlier. ***No assurances can be made, however, that the Bankruptcy Court will enter various orders on the timetable anticipated by the Debtors.***

C. First Day Relief

On the Petition Date, the Debtors filed several motions (the "First Day Motions") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations, by, among other things, easing the strain on the Debtors' relationships with employees, vendors, and customers following the commencement of the Chapter 11 Cases. The First Day Motions, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at www.omnimgmt.com/charmingcharlie.

D. Approval of the DIP Facilities

Based on the Debtors' need for debtor-in-possession financing and their conclusion that the DIP ABL Facility and the DIP Term Loan Facility represent the best terms available, on the Petition Date, the Debtors filed a motion seeking authorization to enter into the DIP Facilities on an interim and final basis (the "DIP Motion"). As discussed above, on December 13, 2017, the Bankruptcy Court entered the Interim DIP Order approving the DIP Facilities on an interim basis [Docket No. 93]. The Bankruptcy Court entered the Final DIP Order approving the DIP Facilities on a final basis on January 11, 2018 [Docket No. 309].

E. Assumption and Rejection of Executory Contracts and Unexpired Leases

1. *Assumption and Rejection of Executory Contracts and Unexpired Leases*

On the Effective Date, except as otherwise provided herein, each of the Debtors' Executory Contracts and Unexpired Leases not previously assumed, assumed and assigned, or rejected pursuant to an order of the Bankruptcy Court will be deemed assumed by the Reorganized Debtors as of the Effective Date in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code *except* any Executory Contract or Unexpired Lease (a) identified on the Rejected Executory Contract/Unexpired Lease List (which shall be filed with the Bankruptcy Court on or before the Plan Supplement Filing Date) as an Executory Contract or Unexpired Lease designated for rejection, (b) that is the subject of a separate motion or notice to reject (including a motion or notice pursuant to which the requested effective date of such rejection is after the Effective Date) filed by the Debtors, with the consent of the Requisite First Lien Lenders pursuant to the Plan Support Agreement, and pending as of the Confirmation Hearing, (c) that has been previously rejected pursuant to a Bankruptcy Court order or the Rejection Procedures, or (d) that previously expired or terminated pursuant to its own terms.

Entry of the Confirmation Order by the Bankruptcy Court shall constitute an order approving the assumptions, assumptions and assignments, or rejections of such Executory Contracts and Unexpired Leases as set forth in the Plan, all pursuant to sections 365(a) and 1123 of the Bankruptcy Code and effective on the occurrence of the Effective Date. Each Executory Contract and Unexpired Lease assumed pursuant to the Plan or a Bankruptcy Court order and not assigned to a third party on or prior to the Effective Date, shall re-vest in and be fully enforceable by the applicable contracting Reorganized Debtor in accordance with its terms, except as such terms may have been validly modified by order of the Bankruptcy Court and notwithstanding, to the maximum extent permitted by law, any provision in any

such assumed Executory Contract or Unexpired Lease that restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the assumption of such Executory Contract or Unexpired lease (including any "change of control" provision), and, therefore, consummation of the transactions contemplated by the Plan shall not entitle the non-Debtor party thereto to terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights with respect thereto. Notwithstanding anything to the contrary in the Plan, the Debtors (with the consent of the Requisite First Lien Lenders pursuant to the Plan Support Agreement) reserve the right to alter, amend, modify, or supplement the Executory Contracts and Unexpired Leases identified on the Assumed Executory Contract/Unexpired Lease List and the Rejected Executory Contract/Unexpired Lease List prior to the Effective Date on notice to the non-Debtor Entities affected by such alteration, amendment, modification, or supplement (and upon such Entities' counsel, if known) to be filed and served no less than (i) three Business Days prior to the effective date of the rejection of the affected Executory Contracts and Unexpired Leases or (ii) fourteen days prior to the effective date of the assumption of the affected Executory Contracts and Unexpired Leases; *provided* that, solely with respect to Unexpired Leases of nonresidential real property, the Debtors shall not alter, amend, modify, or supplement the Assumed Executory Contract/Unexpired Lease List and the Rejected Executory Contract/Unexpired Lease List after the Confirmation Date unless the affected non-Debtor Entity party to such Unexpired Lease either (a) consents or (b) attempts to prosecute an untimely objection to the assumption of such Unexpired Lease or related Cure Cost.

2. *Cure of Defaults for Assumed Executory Contracts and Unexpired Leases*

Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed or assumed and assigned pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure Cost in Cash on the Effective Date, subject to the limitation described in the following paragraph, or on such other terms as the parties to such Executory Contract or Unexpired Lease may otherwise agree. No later than March 5, 2018, to the extent not previously filed with the Bankruptcy Court and served on affected counterparties, the Debtors shall provide for notices of proposed assumption and proposed Cure Cost (and, to the extent the Debtors seek to assume and assign an Unexpired Lease pursuant to the Plan, the Debtors will identify the assignee and provide adequate assurance of future performance by such assignee within the meaning of section 365 of the Bankruptcy Code) to be filed and served upon applicable contract and lease counterparties (and upon such Entities' counsel, if known), together with procedures for objecting thereto and resolution of disputes by the Bankruptcy Court. Any objection by a contract or lease counterparty to a proposed ~~assumption, assumption and assignment, or related~~ Cure Cost must be filed, served, and actually received by the Debtors before the objection deadline provided in the notice of proposed assumption and Cure Cost, which deadline shall be (i) with respect to Unexpired Leases of nonresidential real property, no less than 14 days after the date on which the applicable notice of proposed assumption and proposed Cure Cost is filed and served or (ii) with respect to all Executory Contracts and Unexpired Leases, other than Unexpired Leases of nonresidential real property, no less than 7 days after the date on which the applicable notice of proposed assumption and proposed Cure Cost is filed and served. Any objection by a contract or lease counterparty to a proposed assumption, assumption and assignment, or adequate assurance (other than with respect to a proposed Cure Cost) must be filed, served, and actually received by the Debtors before the Plan Objection Deadline.

Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or Cure Cost will be deemed to have assented to such assumption or Cure Cost. Any objection to a proposed assumption, assumption and assignment, or Cure Cost will be scheduled to be heard by the Bankruptcy Court at the Reorganized Debtors' first scheduled omnibus hearing after which such objection is timely filed. In the event of a dispute regarding (1) the amount of any Cure Cost, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future

performance" within the meaning of section 365(b) of the Bankruptcy Code, if applicable, under the Executory Contract or the Unexpired Lease to be assumed or assumed and assigned, and/or (3) any other matter pertaining to assumption and/or assignment, then such Cure Costs shall be paid following the entry of a Final Order resolving the dispute and approving the assumption and assignment of such Executory Contracts or Unexpired Leases or as may be agreed upon by the Debtors or the Reorganized Debtors and the counterparty to such Executory Contract or Unexpired Lease; *provided* that the Debtors (with the consent of the Requisite First Lien Lenders) may settle any dispute regarding the amount of any Cure Cost without any further notice to any party or any action, order, or approval of the Bankruptcy Court; *provided*, *further*, that notwithstanding anything to the contrary herein, the Debtors (with the consent of the Requisite First Lien Lenders pursuant to the Plan Support Agreement) reserve the right to reject, or nullify the assumption of, any Executory Contract or Unexpired Lease within 25 days after the entry of a Final Order resolving an objection to assumption or assumption and assignment, determining the Cure Cost under an Executory Contract or Unexpired Lease that was subject to a dispute, or resolving any request for adequate assurance of future performance required to assume such Executory Contract or Unexpired Lease.

Assumption or assumption and assignment of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise, and the payment of the Cure Cost, shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption or assumption and assignment. Any Proofs of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed or assumed and assigned, and the Cure Cost paid, shall be deemed Disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court. Notwithstanding the foregoing, the Debtors and the Reorganized Debtors will continue to honor all postpetition and post-Effective Date obligations under any assumed Executory Contracts and Unexpired Leases in accordance with their terms, regardless of whether such obligations are listed as a Cure Cost, and whether such obligations accrued prior to or after the Effective Date, and neither the payment of cure nor entry of the Confirmation Order shall be deemed to release the Debtors or the Reorganized Debtors from such obligations.

It is the view of certain landlords that a plan may not permit the Debtors to reject or nullify the assumption of Unexpired Leases for nonresidential real property within 25 days after the entry of a Final Order resolving an objection to assumption or assumption and assignment, determining the Cure Cost under an Executory Contract or Unexpired Lease that was subject to a dispute, or resolving any request for adequate assurance of future performance required to assume such Executory Contract or Unexpired Lease, where the expiration of such 25 days may occur after the date of entry of the Confirmation Order. All parties' rights are reserved with respect to such assertion, which will be addressed in connection with confirmation of the Plan. The Debtors will file the Assumed Executory Contract/Unexpired Lease List on or before March 5, 2018; in which case, pursuant to Article V.B of the Plan, any objections to Cure Costs will be due on or before March 19, 2018, in advance of the Plan Objection Deadline (objections to assumption, assumption and assignment, ~~Cure Costs,~~ or related to requests for adequate assurance of future performance shall be due ~~in advance of the deadline to object to~~by the Plan~~.~~ Objection Deadline).

3. *Claims Based on Rejection of Executory Contracts and Unexpired Leases*

Unless otherwise provided by a Bankruptcy Court order, any Proofs of Claim asserting Claims arising from the rejection or repudiation of the Debtors' Executory Contracts and Unexpired Leases pursuant to the Plan or otherwise must be filed with the Notice and Claims Agent within thirty (30) days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. **Any Proofs of Claim arising from the rejection or repudiation of the Debtors'**

Executory Contracts and Unexpired Leases that are not timely filed shall be deemed disallowed. All Allowed Claims arising from the rejection of the Debtors' Executory Contracts and Unexpired Leases shall constitute General Unsecured Claims and shall be treated in accordance with Article III.B of the Plan.

4. *Contracts and Leases Entered into After the Petition Date*

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any Assumed Executory Contracts and Unexpired Leases) that have not been rejected as of the Confirmation Date will survive and remain unaffected by entry of the Confirmation Order.

F. Lease Renegotiation and Store Closing Process

On the Petition Date, the Debtors filed the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Assume the Agency Agreement, (II) Approving Procedures for Store Closing Sales, and (III) Granting Related Relief* [Docket No. 11] (the "Store Closing Motion") seeking to implement a key component of their restructuring strategy and right-size their operations by closing underperforming or geographically undesirable stores (as described above, the "Store Closings"). The Bankruptcy Court approved the Store Closing Motion on an interim basis on December 13, 2017 [Docket No. 99] and on a final basis on January 11, 2018 [Docket No. 280]. Pursuant to the Bankruptcy Court orders related to the foregoing, the Debtors consummated the closings of approximately 97 stores (which closings commenced before the Petition Date) and vacated such stores on or before December 31, 2017. In addition, on February 2, 2018, the Debtors filed a notice of the commencement of closings of 12 additional stores [Docket No. 398]. These efforts are part of the Debtors' attempt to rationalize their store fleet.

G. Efforts of Independent Director

In July 2017, the Debtors executed amendments to both the Prepetition Term Loan Facility and Prepetition ABL Facility (as described above). Pursuant to these amendments, the Debtors appointed two independent board members—Larry Meyer and Lana Krauter—to the board of directors of Charming Charlie, Inc., and certain of their non-Debtor subsidiaries and affiliates. Each of Mr. Meyer and Ms. Krauter have significant retail experience. Mr. Meyer previously served as the Chief Executive Officer of UNIQLO USA, a division of Japanese conglomerate Fast Retailing Co., Ltd., the Chief Financial Officer and Senior Vice President at Gymboree Group, Inc., and Chief Financial Officer at Toys "R" Us, Inc. Ms. Krauter previously served as Executive Vice President at J.C. Penney, Senior Vice President of Sears Holdings Corp., President and Chief Marketing Officer at Beall's, Inc., and President and Chief Marketing officer at Goody's Family Clothing Inc.

On October 20, 2017, Ms. Krauter was appointed to serve as Interim Chief Executive Officer. In connection with the Debtors' restructuring initiatives, Mr. Meyer was formally authorized by the Debtors' boards to act as a Special Committee for the purposes of conducting an investigation into the appropriateness of the Plan Support Agreement provisions and any potential claims or causes of action against existing lenders or Owners.

Since the Petition Date, the Special Committee has commenced a detailed review of transactions among the Debtors, the Owners, and the Debtors' lenders, to determine whether there is a legal and factual basis for claims or potential causes of action. The continuing investigation examines, among other transactions: (a) the 2013 stock repurchase (described in the First Day Declaration) and related

management fees and advisory agreements for the benefit of the Owners; (b) deferred compensation distributions made before the Petition Date; (c) information regarding historical salary and benefits disbursements; (d) historical transactions involving potential insiders; and (e) historical amendments to the Debtors' credit documents. In the summer of 2016, Mr. Chanaratsopon injected $3 million into the Company. With respect to the deferred compensation distributions, Mr. Chanaratsopon received payments in late October 2017 in connection with his resignation as Chief Executive Officer. The payments were made from a rabbi trust that was established by the Company in 2012 in connection with the Debtors' nonqualified deferred compensation program. The payments were automatically triggered pursuant to the terms of the deferred compensation program when Mr. Chanaratsopon resigned. The gross amount of such payments out of the rabbi trust was approximately $3.09 million, approximately $1.22 million of which was withheld by the Debtors and paid to the IRS. The net distribution to Mr. Chanaratsopon was approximately $1.87 million for earned salary that was previously deferred under the deferred compensation program. Mr. Chanaratsopon has cooperated fully with the Special Committee. To facilitate a consensual restructuring of the Company, Mr. Chanaratsopon has agreed to make the Plan Reimbursement—which represents approximately 18 months of his deferred salary—to provide the funding for the Key Go-Forward Creditor Agreements.

The investigation has included (a) on-site document collection; (b) interviews with both current and historical management (including the Debtors' current Chief Financial Officer, current Controller, and current Senior Vice President of Store Development, and the Debtors' former Chief Financial Officer); (c) multiple telephonic and in-person board meetings with Mr. Meyer; and (d) robust and frequent communications with the Owners' separate counsel (including document production by such counsel on behalf of certain of the Owners).

At the same time, the Debtors and their advisors have provided the Official Committee and its advisors (on both a principle and professional basis) with substantial formal and informal diligence related to such transactions, including (a) the underlying transaction agreements and related documents and (b) all pertinent Board minutes, resolutions, and presentations, a host of financial statements and projections, and an analysis of material payments made to the Owners with a four-year look back period.

Following good-faith, arm's length negotiations, the Debtors (at the direction of the Special Committee), the Official Committee, and Mr. Chanaratsopon have agreed to settle all potential claims and causes of action in return for a $1,000,000 payment to be made by Mr. Chanaratsopon to the Debtors on the Effective Date (the "Plan Reimbursement") that will be used to fund the Key Go-Forward Creditor Program. Except for an Allowed General Unsecured Claim in the amount of $1.25 million to be granted to Mr. Chanaratsopon on account of severance obligations accrued under his employment agreement following his resignation as CEO of the Debtors in October 2017, the Debtors, the Official Committee, and Mr. Chanaratsopon otherwise agree to mutual releases of all claims and causes, consistent with terms of the Plan Support Agreement and the Plan. Subject to entry of the Confirmation Order, the Owners, including Mr. Chanaratsopon, will be Released Parties and Releasing Parties, consistent with the terms of the Plan Support Agreement.

Subject to entry of the Confirmation Order, the proceeds of the Plan Reimbursement will be used by the Debtors to fund the Key Go-Forward Creditor Program, as detailed herein and in the Plan. The Debtors will enter into agreements with certain go-forward landlords and vendors, each of whom are providing beneficial business terms (defined in the Plan as the Key Go-Forward Creditor Agreements). The Key Go-Forward Creditor Agreements will be reasonably acceptable to the Official Committee and the Requisite First Lien Lenders. The Debtors believe the Key Go-Forward Creditor Program—which has the support of the Official Committee—will help the Debtors post-emergence by maintaining support from key partners.

The Special Committee is nearing completion of its investigation, and the Debtors reserve the

right to amend the release provision in the Plan in connection with completion of the investigation. In connection with any determination relating to such releases, the Special Committee will consider the overall circumstances present, including the merits of any potential claims against the Owners and the value of reorganizing the Debtors as a going concern under the Plan Support Agreement and Plan. Mr. Chanaratsopon will not make the Plan Reimbursement unless and until the Debtors provide the releases of the Owners set forth in the Plan and the Plan Support Agreement.

H. Appointment of Official Committee

On December 19, 2017, the U.S. Trustee filed the *Appointment of Unsecured Creditors Committee* [Docket No. 149] notifying parties in interest that the U.S. Trustee had appointed a statutory committee of unsecured creditors (the "Official Committee") in the Chapter 11 Cases. The Official Committee is currently composed of the following members: B.R.E. Industries Inc., A.N. Enterprises, Tri-Costal Design, Prime time NYC LLC, GGP Limited Partnership, Simon Property Group, Inc., and 445 Fifth avenue Associates LLC. The Official Committee has retained Cooley LLP as its legal counsel and Zolfo Cooper as its financial advisor.

IX. PROJECTED FINANCIAL INFORMATION

A projected consolidated income statement is attached hereto as **Exhibit D**.

Creditors and other interested parties should see the below "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

X. RISK FACTORS

Holders of Claims should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, these factors should not be regarded as constituting the only risks present in connection with the Debtors' businesses or the Plan and its implementation.

A. Bankruptcy Law Considerations

The occurrence or non-occurrence of any or all of the following contingencies, and any others, could affect distributions available to holders of Allowed Claims under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of holders of Claims in such Impaired Classes.

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

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims or Interests, as applicable, in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

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

As more fully set forth in Article VIII of the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

3. *The Debtors May Fail to Satisfy Vote Requirements*

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to confirm an alternative chapter 11 plan. There can be no assurance that the terms of any such alternative chapter 11 plan would be similar or as favorable to the Holders of Allowed Claims as those proposed in the Plan.

4. *The Debtors May Not Be Able to Secure Confirmation of the Plan*

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, and requires, among other things, a finding by the Bankruptcy Court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the balloting procedures, and voting results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation are not met. If a chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether the Debtors will be able to reorganize their business and what, if anything, holders of Allowed Claims against them would ultimately receive on account of such Allowed Claims.

The effectiveness of the Plan is also subject to certain conditions as described in Article VIII of the Plan. If the Plan is not confirmed, it is unclear what distributions, if any, holders of Allowed Claims will receive won account of such Allowed Claims.

The Debtors, subject to the terms and conditions of the Plan and the Plan Support Agreement, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications could result in less favorable treatment of any non-accepting Class, as well as any Class junior to such non-accepting Class, than the treatment currently provided in the Plan. Such a less favorable treatment could include a distribution of property with a lesser value than currently provided in the Plan or no distribution whatsoever under the Plan.

5. *Nonconsensual Confirmation*

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance

being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired class(es). The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

6. *Continued Risk Upon Confirmation*

Even if a chapter 11 plan of reorganization is consummated, the Debtors will continue to face a number of risks, including certain risks that are beyond their control, such as further deterioration or other changes in economic conditions, changes in the industry, potential revaluing of their assets due to chapter 11 proceedings, changes in consumer demand for, and acceptance of, their products, and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that a chapter 11 plan of reorganization reflecting the Plan will achieve the Debtors' stated goals.

In addition, at the outset of the Chapter 11 Cases, the Bankruptcy Code will give the Debtors the exclusive right to propose the Plan and will prohibit creditors and others from proposing a plan. The Debtors will have retained the exclusive right to propose the Plan upon filing their petitions for chapter 11 relief. If the Bankruptcy Court terminates that right, however, or the exclusivity period expires, there could be a material adverse effect on the Debtors' ability to achieve confirmation of the Plan in order to achieve the Debtors' stated goals.

Furthermore, even if the Debtors' debts are reduced and/or discharged through the Plan, the Debtors may need to raise additional funds through public or private debt or equity financing or other various means to fund the Debtors' business after the completion of the proceedings related to the Chapter 11 Cases. Adequate funds may not be available when needed or may not be available on favorable terms.

7. *The Chapter 11 Cases May Be Converted to Cases Under Chapter 7 of the Bankruptcy Code*

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the debtor in a chapter 11 case, the Bankruptcy Court may convert a chapter 11 bankruptcy case to a case under chapter 7 of the Bankruptcy Code. In such event, a chapter 7 trustee would be appointed or elected to liquidate the debtor's assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under chapter 7 would result in significantly smaller distributions being made to creditors than those provided for in a chapter 11 plan because of (a) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing or selling in a controlled manner affecting the business as a going concern, (b) additional administrative expenses involved in the appointment of a chapter 7 trustee, and (c) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation, and including Claims resulting from the rejection of Unexpired Leases and other Executory Contracts in connection with cessation of operations.

8. *The Debtors May Object to the Amount or Classification of a Claim*

Except as otherwise provided in the Plan, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be

relied upon by any holder of a Claim where such Claim is subject to an objection. Any holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

9. *Risk of Non-Occurrence of the Effective Date*

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether the Effective Date will, in fact, occur.

10. *Contingencies Could Affect Votes of Impaired Classes to Accept or Reject the Plan*

The distributions available to holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies, which could affect distributions available to holders of Allowed Claims under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

The estimated Claims and creditor recoveries that will be forth in this Disclosure Statement are based on various assumptions, and the actual Allowed amounts of Claims may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may vary from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time, the number or amount of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the percentage recoveries to holders of Allowed Claims under the Plan.

11. *Releases, Injunctions, and Exculpations Provisions May Not Be Approved*

Article IX of the Plan provides for certain releases, injunctions, and exculpations, including a release of liens and third-party releases that may otherwise be asserted against the Debtors, Reorganized Debtors, or Released Parties, as applicable. The releases, injunctions, and exculpations (including, for the avoidance of doubt, the definitions of Released Parties, Releasing Parties, and Exculpated Parties) provided in the Plan are subject to objection by parties in interest and may not be approved. If the releases are not approved, certain parties may not be considered Released Parties, Releasing Parties, or Exculpated Parties, and certain Released Parties may withdraw their support for the Plan.

B. Risks Related to Recoveries under the Plan.

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

The Financial Projections attached hereto as **Exhibit D** represent the Debtors' management team's best estimate of the Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economies in general, and the particular industry segments in which the Debtors operate in particular. While the Debtors believe that the Financial Projections attached hereto as **Exhibit D** are reasonable, there can be no assurance that they will be realized. If the Debtors do not achieve their projected financial results, (a) the value of the New Equity may be negatively affected, and the GUC Rights may not attain any value, (b) the Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date and (c) the Debtors may be unable to service their debt obligations as they come due. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

2. *The Reorganized Debtors' New Equity Will Not Be Publicly Traded*

There can be no assurance that an active market for the New Equity will develop, nor can any assurance be given as to the prices at which such stock might be traded. The New Equity to be issued under the Plan will not be listed on or traded on any nationally recognized market or exchange. Further, the New Equity to be issued under the Plan has not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. Absent such registration, the New Equity may be offered or sold only in transactions that are not subject to, or that are exempt from, the registration requirements of the Securities Act and other applicable securities laws. As explained in more detail in Article XIII herein, most recipients of New Equity will be able to resell such securities without registration pursuant to the exemption from registration provided by Section 1145 of the Bankruptcy Code, subject to any restrictions set forth in the certificate of incorporation and bylaws of the Reorganized Debtors.

3. *The Recovery for Holders of Allowed General Unsecured Claims is Uncertain*

~~[~~The ultimate value of the GUC Rights is dependent on several factors, as described in Exhibit H attached hereto and the Plan Supplement, and cannot be determined at this time. The GUC Rights are also subject to the application of certain bankruptcy and nonbankruptcy law, including ~~whether the GUC Rights are treated as a security~~securities law, and ~~must~~may be required to comply with certain tax and securities laws restrictions~~.]~~ and may subject the Reorganized Debtors to obligations under applicable securities law.

4. *The Restructuring of the Debtors May Adversely Affect the Debtors' Tax Attributes*

As a multinational corporation, the Debtors are subject to income taxes in the U.S. and various foreign jurisdictions. Significant judgment is required in determining the Debtors' global provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many intercompany transactions and calculations where the ultimate tax determination is uncertain. The Debtors' income tax returns are routinely subject to audits by tax authorities. Although the Debtors regularly assess the likelihood of adverse outcomes resulting from these examinations to determine their tax estimates, a final determination of tax audits or tax disputes could have an adverse effect on their results of operations and financial condition. The Debtors are also subject to non-income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes in the U.S. and various foreign jurisdictions. They are regularly under audit by tax authorities with respect to these non-income taxes and may have exposure to additional non-income tax liabilities which could have an adverse effect on the Debtors' results of operations and financial condition.

In addition, the Debtors' future effective tax rates could be favorably or unfavorably affected by changes in tax rates, changes in the valuation of their deferred tax assets or liabilities, or changes in tax laws or their interpretation. Such changes could have a material adverse impact on their financial results.

For a detailed description of the effect consummation of the Plan may have on the Debtors' tax attributes, see "Certain United States Federal Income Tax Consequences of the Plan," which begins on page 45 herein.

C. Risks Related to the Debtors' and the Reorganized Debtors' Businesses

1. *The Debtors May Not Be Able to Generate Sufficient Cash to Service All of Their Indebtedness.*

The Debtors' ability to make scheduled payments on, or refinance their debt obligations, including the Exit Prepetition Term Loan, depends on the Debtors' financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Debtors' control (including the factors discussed in Article X.C.4, which begins on page 39, herein). The Debtors may be unable to maintain a level of cash flow from operating activities sufficient to permit the Debtors to pay the principal, premium, if any, and interest on their indebtedness, including the notes.

2. *The Debtors Will Be Subject to the Risks and Uncertainties Associated with the Chapter 11 Cases*

For the duration of the Chapter 11 Cases, the Debtors' ability to operate, develop, and execute a business plan, and continue as a going concern, will be subject to the risks and uncertainties associated with bankruptcy. These risks include the following: (a) ability to develop, confirm, and consummate the restructuring transactions specified in the Plan or an alternative restructuring transaction; (b) ability to obtain court approval with respect to motions filed in the Chapter 11 Cases from time to time; (c) ability to maintain relationships with suppliers, service providers, customers, employees, and other third parties; (d) ability to maintain contracts that are critical to the Debtors' operations; (e) ability of third parties to seek and obtain court approval to terminate contracts and other agreements with the Debtors; (f) ability of third parties to seek and obtain court approval to terminate or shorten the exclusivity period for the Debtors to propose and confirm a chapter 11 plan, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 proceedings; and (g) the actions and decisions of the Debtors' creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

These risks and uncertainties could affect the Debtors' businesses and operations in various ways. For example, negative events associated with the Chapter 11 Cases could adversely affect the Debtors' relationships with suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect the Debtors' operations and financial condition. Also, the Debtors will need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit the Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Chapter 11 Cases, the Debtors cannot accurately predict or quantify the ultimate impact of events that occur during the Chapter 11 Cases that may be inconsistent with the Debtors' plans.

3. *Recent Global Economic Trends Could Adversely Affect the Debtors' Business, Results of Operations and Financial Condition, Primarily Through Disruption to the Debtors' Customers' Businesses*

Recent global economic conditions, including disruption of financial markets, could adversely affect the Debtors' business, results of operations and financial condition, primarily through disrupting their customers' businesses. Higher rates of unemployment and lower levels of business activity generally adversely affect the level of demand for certain of the Debtors' products and services. In addition, continuation or worsening of general market conditions in the U.S. economy or other national economies important to our businesses may adversely affect the Debtors' customers' level of spending, ability to obtain financing for purchases and ability to make timely payments to the Debtors for their products and

services, which could require the Debtors to increase the Debtors' allowance for doubtful accounts, negatively impact their days sales outstanding and adversely affect their results of operations.

Consumer hesitancy or limited availability of credit may constrict the business operations of their end user customers and their channel, development, and implementation partners, and consequently impede their own operations. The consequences may include restrained or delayed investments, late payments, bad debts, and even insolvency among customers and business partners. These have had an effect on the Debtors' revenue growth and incoming payments, and the impact may continue. In addition, the Debtors' prices could come under more pressure due to more intense competition or deflation. If current economic conditions persist or worsen, the Debtors expect that their revenue growth and results of operations will continue to be negatively impacted. Finally, an extended period of further economic deterioration could exacerbate the other risks described herein. If these or other conditions limit the Debtors' ability to grow revenue or cause the Debtors' revenue to decline and the Debtors cannot reduce costs on a timely basis or at all, the Debtors' operating results may be materially and adversely affected.

4. *Operating in Bankruptcy for a Long Period of Time May Harm the Debtors' Businesses*

The Debtors' future results will be dependent upon the successful confirmation and implementation of a plan of reorganization. A long period of operations under Bankruptcy Court protection could have a material adverse effect on the Debtors' businesses, financial condition, results of operations, and liquidity. So long as the proceedings related to the Chapter 11 Cases continue, senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations. A prolonged period of operating under Bankruptcy Court protection also may make it more difficult to retain management and other key personnel necessary to the success and growth of the Debtors' businesses. In addition, the longer the proceedings related to the Chapter 11 Cases continue, the more likely it is that customers and suppliers will lose confidence in the Debtors' ability to reorganize their businesses successfully and will seek to establish alternative commercial relationships.

So long as the proceedings related to the Chapter 11 Cases continue, the Debtors will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases.

Furthermore, the Debtors cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to a plan of reorganization. Even after a plan of reorganization is approved and implemented, the Debtors' operating results may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that recently emerged from bankruptcy protection.

5. *Financial Results May Be Volatile and May Not Reflect Historical Trends*

During the Chapter 11 Cases, the Debtors expect that their financial results will continue to be volatile as asset impairments, asset dispositions, restructuring activities and expenses, contract terminations and rejections, and claims assessments significantly impact the Debtors' consolidated financial statements. As a result, the Debtors' historical financial performance likely will not be indicative of their financial performance after the Petition Date.

In addition, if the Debtors emerge from chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to the Debtors' operating plans pursuant to a plan of reorganization. The Debtors also may be required to adopt fresh start accounting, in which case their

assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on the Debtors' consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends.

6. *The Reorganized Debtors May Be Adversely Affected by Potential Litigation, Including Litigation Arising Out of the Chapter 11 Cases*

In the future, the Reorganized Debtors may become party to litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect the Reorganized Debtors' financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their Claims under the Plan. It is not possible to predict the potential litigation that the Reorganized Debtors may become party to, nor the final resolution of such litigation. The impact of any such litigation on the Reorganized Debtors' businesses and financial stability, however, could be material.

7. *The Loss of Key Personnel Could Adversely Affect the Debtors' Operations*

The Debtors' operations are dependent on a relatively small group of key management personnel, including the Debtors' executive officers. The Debtors' recent liquidity issues and the Chapter 11 Cases have created distractions and uncertainty for key management personnel and employees. Because competition for experienced personnel in the retail industry can be significant, the Debtors may be unable to find acceptable replacements with comparable skills and experience and the loss of such key management personnel could adversely affect the Debtors' ability to operate their businesses. In addition, a loss of key personnel or material erosion of employee morale at the corporate and/or field levels could have a material adverse effect on the Debtors' ability to meet customer and counterparty expectations, thereby adversely affecting the Debtors' businesses and the results of operations.

XI. SOLICITATION AND VOTING PROCEDURES

This Disclosure Statement, which is accompanied by a Ballot or Ballots to be used for voting on the Plan, is being distributed to the Holders of Claims in those Classes that are entitled to vote to accept or reject the Plan. The procedures and instructions for voting and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit C**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement and in formulating a decision to vote to accept or reject the Plan.

THE DISCUSSION OF THE SOLICITATION AND VOTING PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.
PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER ATTACHED HERETO FOR A MORE COMPREHENSIVE DESCRIPTION OF THE SOLICITATION AND VOTING PROCESS.

A. Holders of Claims Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all holders of claims against a debtor are entitled to vote on a chapter 11 plan. The table in section IV.C of this Disclosure Statement, which begins on page 7 hereof, provides a summary of the status and voting rights of each Class (and, therefore, of each holder within such Class absent an objection to the Holder's Claim) under the Plan.

As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from holders of Claims in Classes 3 and 4 (collectively, the "Voting Classes"). The holders of Claims in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, holders of Claims in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are ***not*** soliciting votes from holders of Claims and Interests in Classes 1, 2, 5, 6, 7, or 8. Additionally, the Disclosure Statement Order provides that certain holders of Claims in the Voting Classes, such as those holders whose Claims have been disallowed or are subject to a pending objection, are not entitled to vote to accept or reject the Plan.

B. Voting Record Date

The Voting Record Date is February 19, 2018. The Voting Record Date is the date on which it will be determined which holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee or transferee, as applicable, can vote to accept or reject the Plan as the Holder of a Claim.

C. Voting on the Plan

The Voting Deadline is March, 23, 2018, at 4:00 p.m. prevailing Eastern Time. In order to be counted as votes to accept or reject the Plan, all ballots must be properly executed, completed, and delivered (either by using the return envelope provided, by first class mail, overnight courier, or personal delivery) so that the ballots are **actually received** by the Debtors' voting and claims agent (the "Voting and Claims Agent") on or before the Voting Deadline at the following address:

DELIVERY OF BALLOTS

CHARMING CHARLIE HOLDINGS INC. *et al.* CLAIMS PROCESSING
C/O RUST CONSULTING / OMNI BANKRUPTCY
5955 DE SOTO AVENUE, SUITE 100
WOODLAND HILLS, CALIFORNIA 91367

If you received an envelope addressed to your nominee, please return your ballot to your nominees, allowing enough time for your nominee to cast your vote on a ballot before the Voting Deadline.

D. Ballots Not Counted

No ballot will be counted toward Confirmation if, among other things: (1) it is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (2) it was transmitted by facsimile, email, or other electronic means; (3) it was cast by an entity that is not entitled to vote on the Plan; (4) it was cast for a Claim listed in the Debtors' schedules as contingent, unliquidated, or disputed for which the applicable Bar Date has passed and no proof of claim was timely filed; (5) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (6) it was sent to the Debtors, the Debtors' agents/representatives (other than the Voting and Claims Agent), an indenture trustee (except as otherwise permitted by the Disclosure Statement Order), or the Debtors' financial or legal advisors instead of the Voting and Claims Agent; (7) it is unsigned; or (8) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. ***Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.***

IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE CONTACT THE VOTING AND CLAIMS AGENT TOLL-FREE 844-452-2141. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE SOLICITATION ORDER WILL NOT BE COUNTED.

XII. CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims or Interests, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to the rejecting Impaired Class; (2) the Plan is feasible; and (3) the Plan is in the "best interests" of holders of Claims and Interests.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies, or will satisfy, all of the necessary statutory requirements of chapter 11; (2) the Debtors have complied, or will have complied, with all of the necessary requirements of chapter 11; and (3) the Plan has been proposed in good faith.

B. Best Interests of Creditors/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 plan provides, with respect to each impaired class, that each holder of a claim or an equity interest in such impaired class either (1) has accepted the plan or (2) will receive or retain under the plan property of a value that is not less than the amount that the non-accepting holder would receive or retain if the debtors liquidated under chapter 7.

A liquidation analysis is attached hereto as **Exhibit F**.

C. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in such plan of reorganization).

To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, Financial Projections are attached hereto as **Exhibit D**.

D. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A

class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[8]

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

E. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if all impaired classes have not accepted it; *provided, however*, the plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class's rejection or deemed rejection of the plan, the plan will be confirmed, at the plan proponent's request, in a procedure commonly known as a "cramdown" so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke, or withdraw the Plan or any Plan Supplement document, including the right to amend or modify the Plan or any Plan Supplement document to satisfy the requirements of section 1129(b) of the Bankruptcy Code.

(a) No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

(b) Fair and Equitable Test

The "fair and equitable" test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100 percent of the amount of the allowed claims in the class. As to the dissenting class, the test sets different standards depending upon the type of claims or equity interests in the class.

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[8] A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the Holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the Holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or equity interest entitles the Holder of such claim or equity interest.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured so that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

F. Valuation of the Debtors

An analysis regarding the post-Confirmation going concern value of the Debtors is attached hereto as **Exhibit E**.

XIII. CERTAIN SECURITIES LAW MATTERS

A. Plan Securities

As discussed herein, the Plan provides for Reorganized HoldCo to distribute New Equity, the Exit Tranche A Term Loans, and the Exit Tranche B Term Loans to certain Holders of Allowed Claims.

The Debtors believe that the class of New Equity will be "securities," as defined in section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code and any applicable state securities law (a "Blue Sky Law").

B. Issuance and Resale of Securities Under the Plan

1. *Exemptions from Registration Requirements of the Securities Act and Blue Sky Laws.*

Section 1145(a)(1) of the Bankruptcy Code exempts the offer or sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if three principal requirements are satisfied: (a) the securities must be issued "under a plan" of reorganization by the debtor or its successor under a plan or by an affiliate participating in a joint plan of reorganization with the debtor; (b) the recipients of the securities must hold a claim against, an interest in, or a claim for administrative expenses in the case concerning the debtor; and (c) the securities must be issued in exchange for the recipient's claim against or interest in the debtor, or "principally" in such exchange and "partly" for cash or property. In reliance upon these exemptions, the Debtors believe that the offer, issuance and distribution under the Plan of the New Equity to Holders of Allowed DIP Term Loan Roll-up Claims and Allowed Prepetition Term Loan Claims following the filing of the Chapter 11 Cases may be made without registration under the Securities Act or any applicable Blue Sky Laws.

To the extent that the offer, issuance and distribution of the New Equity to Holders of Allowed DIP Term Loan Roll-up Claims and Allowed Prepetition Term Loan Claims following the filing of the Chapter 11 Cases is covered by section 1145 of the Bankruptcy Code, subject to compliance with the New Organizational Documents, such New Equity may be resold without registration under the Securities Act or other federal securities laws, unless the Holder is an "underwriter" (as discussed below) with respect to such securities, as that term is defined in section 1145 of the Bankruptcy Code. In addition, such New Equity governed by section 1145 of the Bankruptcy Code generally may be able to be resold without registration under applicable Blue Sky Laws pursuant to various exemptions provided by the respective Blue Sky Laws of those states; however, the availability of such exemptions cannot be known unless applicable individual Blue Sky Laws are examined.

Recipients of the New Equity are advised to consult with their own legal advisors as to the availability of any exemption from registration under the Bankruptcy Code, the Securities Act and any applicable state Blue Sky Law.

2. *Resale of Certain New Equity; Definition of Underwriter*

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

The definition of an "issuer" for purposes of whether a person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "Controlling Persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "Controlling Person" of the debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of a class of securities of a reorganized debtor may be presumed to be a "Controlling Person" and, therefore, an underwriter.

Resales of the New Equity issued to Holders of Allowed DIP Term Loan Roll-up Claims and Allowed Prepetition Term Loan Claims by Entities deemed to be "underwriters" (which definition includes "Controlling Persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of such New Equity who are deemed to be "underwriters" may be entitled to resell their New Equity pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such person if the required holding period has been met and if current information regarding the issuer is publicly available and volume limitations, manner of sale requirements and certain other conditions are met.

Whether any particular person would be deemed to be an "underwriter" (including whether the person is a "Controlling Person") with respect to such New Equity would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be deemed an "underwriter" with respect to the New Equity issued to Holders of Allowed DIP Term Loan Roll-up Claims and Allowed Prepetition Term Loan Claims and, in turn, whether any person may freely resell such New Equity. **The Debtors recommend that potential recipients of New Equity issued to Holders of Allowed DIP Term Loan Roll-up Claims and Allowed Prepetition Term**

Loan Claims consult their own counsel concerning their ability to freely trade such securities under applicable federal securities law and state Blue Sky Laws.

3. *New Equity / Management Incentive Plan*

The Plan contemplates the implementation of the Management Incentive Plan, which will be included with the Plan Supplement and will reserve up to 10% of the New Equity for issuance. The Management Incentive Plan will be established and implemented by the New Board as soon as reasonably practicable following the Effective Date. The Debtors plan to issue such New Equity pursuant to Rule 701 promulgated under the Securities Act or pursuant to the exemption provided by Section 4(a)(2) of the Securities Act (or Regulation D promulgated thereunder).

XIV. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN[9]

A. Introduction

The following discussion summarizes certain United States ("U.S.") federal income tax consequences of the implementation of the Plan to the Debtors, the Reorganized Debtors, and certain holders of Claims. This summary is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), the U.S. Treasury Regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions and published administrative rules, and pronouncements of the Internal Revenue Service (the "IRS"), all as in effect on the date hereof (collectively, "Applicable Tax Law"). Changes in the rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The Debtors have not requested, and will not request, any ruling or determination from the IRS or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This summary does not apply to holders of Claims that are not "United States persons" (as such phrase is defined in the Tax Code). This summary does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a holder in light of its individual circumstances or to a holder that may be subject to special tax rules (such as persons who are related to the Debtors within the meaning of the Tax Code, foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons who hold Claims or who will hold the New Equity as part of a straddle, hedge, conversion transaction, or other integrated investment, persons using a mark-to-market method of accounting, and holders of Claims who are themselves in bankruptcy). Furthermore, this summary assumes that a holder of a Claim holds only Claims in a single Class and holds a Claim only as a "capital asset" (within the meaning of section 1221 of the Tax Code). This summary also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form, and that the Claims constitute interests in the Debtors "solely as a creditor" for purposes of section 897 of the Tax Code. This summary does not discuss differences in tax consequences to holders of Claims that act as Backstop Parties or otherwise act or receive consideration in a capacity other than

[9] This Section XIV is subject to further review and revision prior to the hearing to consider approval of the Disclosure Statement.

any other holder of a Claim of the same Class or Classes, and the tax consequences for such holders may differ materially from that described below.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME, ESTATE, AND OTHER TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences to the Debtors and the Reorganized Debtors[10]

1. *Cancellation of Debt and Reduction of Tax Attributes*

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("COD Income") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (i) the amount of Cash paid, (ii) the issue price of any new indebtedness of the taxpayer issued, and (iii) the fair market value of any other new consideration (including stock of the debtor) given in satisfaction of such indebtedness at the time of the exchange.

Under section 108 of the Tax Code, a debtor is not required to include COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to the rule discussed in the preceding sentence. In general, tax attributes will be reduced in the following order: (a) net operating loss ("NOLs") and NOL carryforwards; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets; (f) passive activity loss and credit carryovers; and (g) foreign tax credit carryovers. Alternatively, a debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the Tax Code. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD Income over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

The Treasury Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations. Under these Treasury Regulations, the tax attributes of each member of an affiliated group of corporations that is excluding COD Income is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD Income exceeds its tax attributes, the excess COD Income is applied to reduce certain remaining consolidated tax attributes of the affiliated group. Because the Plan provides: (i) the Exit Tranche A Term Loans, to Holders of Allowed DIP Term Loan New Money Claims, (ii) the Exit Tranche B Term Loans to Holders of Allowed DIP Term Loan Roll-Up Claims; and

[10] In December 2017, Congress signed into law the Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018. This Disclosure Statement does not address the consequences of such law on any Holder's Claims or Interests or potential recovery under the Plan, and Holders are urged to consult their own advisor regarding the same.

(iii) the New Equity to Holders of Allowed DIP Term Loan Roll-up Claims, Holders of Allowed Prepetition Term Loan Claims, and in connection with the Management Incentive Plan, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend on the issue price of the Exit Tranche A Term Loans, Exit Tranche B Term Loans, and the fair market value of the New Equity. This value cannot be known with certainty at this time.

Notwithstanding the anything to the contrary in the Plan or this Disclosure Statement, the Owners are party to, and have rights and obligations under, the Plan Support Agreement; *provided* that any of the Owners may object to the Plan solely to the extent that the Plan adversely impacts such Owner's ability to utilize its worthless stock deduction prior to the Effective Date without breaching such Plan Support Agreement.

2. *Limitation of NOL Carryforwards and Other Tax Attributes*

As noted above, the Debtors expect that any federal NOL carryover will be eliminated as a result of the bankruptcy exception to inclusion of COD Income. Following Confirmation, the Debtors anticipate that any remaining capital loss carryover, tax credit carryovers, and certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Reorganized Debtors allocable to periods before the Effective Date (collectively, the "Pre-Change Losses") may be subject to limitation or elimination under sections 382 and 383 of the Tax Code as a result of an "ownership change" of the Reorganized Debtors by reason of the transactions pursuant to the Plan.

Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. The rules of section 382 of the Tax Code are complicated, but as a general matter, the Debtors anticipate that the distribution of the New Equity pursuant to the Plan will result in an "ownership change" of the Reorganized Debtors for these purposes, and that the Reorganized Debtors' use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the Tax Code applies.

For this purpose, if a corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or consolidated group's) net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (a) $10,000,000 or (b) 15 percent of the fair market value of its assets (with certain adjustments) before the ownership change.

(a) General Section 382 Annual Limitation

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs: 2.61 percent for December 2017). The section 382 Limitation may be increased to the extent that the Debtors recognize certain built-in gains in their assets during the five-year period following the ownership change, or are treated as recognizing built-in gains pursuant to the safe harbors provided in IRS Notice 2003-65. Section 383 of the Tax Code applies a similar limitation to capital loss carryforwards and tax credits. Any unused limitation may be carried forward, thereby increasing the

annual limitation in the subsequent taxable year. As discussed below, however, special rules may apply in the case of a corporation that experiences an ownership change as the result of a bankruptcy proceeding.

(b) Special Bankruptcy Exceptions

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" and shareholders of a debtor corporation in chapter 11 receive, in respect of their claims or shares, as applicable, at least 50 percent of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "382(l)(5) Exception"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Reorganized Debtors undergo another "ownership change" within two years after the Effective Date, then the Reorganized Debtors' Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "382(l)(6) Exception"). Under the 382(l)(6) Exception, the annual limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the debtor corporation is not required to reduce its NOL carryforwards by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo a change of ownership within two years without triggering the elimination of its Pre-Change Losses.

The Debtors have not yet determined whether or not the 382(l)(5) Exception will apply. It is possible that the Debtors will not qualify for the 382(l)(5) Exception. Alternatively, the Reorganized Debtors may decide to elect out of the 382(l)(5) Exception, particularly if it appears likely that another ownership change will occur within two years after emergence. In either case, the Debtors expect that their use of the Pre-Change Losses (if any) after the Effective Date will be subject to limitation based on the rules discussed above, but taking into account the 382(l)(6) Exception. Regardless of whether the Reorganized Debtors take advantage of the 382(l)(6) Exception or the 382(l)(5) Exception, the Reorganized Debtors' use of their Pre-Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of section 382 of the Tax Code were to occur after the Effective Date.

3. *Alternative Minimum Tax*

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income ("AMTI") at a 20 percent rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, under section 56(g)(4)(G) of the Tax Code, an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built-in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately

after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under section 382(h) of the Tax Code, immediately before the ownership change, the effect of which may increase the amount of AMT owed by the Reorganized Debtors.

C. Certain U.S. Federal Income Tax Consequences to Certain Holders of Claims

The following discussion assumes that the Debtors will undertake the restructuring transactions currently contemplated by the Plan. Holders of Claims and Interests are urged to consult their tax advisors regarding the tax consequences of the restructuring transactions.

1. *Consequences to Holders of Class 3 Claims*

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the Prepetition Term Loan Claims, each Holder of a Prepetition Term Loan Claim shall receive its Pro Rata share of 25% of the New Equity (subject to dilution only by the New Equity issued in connection with the Management Incentive Plan and the GUC Rights).

As a result, such Holder should recognize taxable gain or loss equal to the difference between (x) the fair market value of the New Equity received and (y) the Holder's adjusted tax basis in its Allowed Prepetition Term Loan Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such holder's hands, whether the Claim was purchased at a discount, and whether and to what extent the Holder previously has claimed a bad debt deduction with respect to its Claim. If recognized gain is capital gain, it generally would be long-term capital gain if the Holder held its Allowed Prepetition Term Loan Claim for more than one year at the time of the exchange. The deductibility of capital losses is subject to certain limitations as discussed below. To the extent that New Equity received in exchange for its Allowed Prepetition Term Loan Claim is allocable to accrued but unpaid interest or accrued market discount, the Holder may recognize ordinary income. *See* "Accrued Interest" and "Market Discount" in Articles XIV.C.4 and XIV.C.5, respectively. A Holder's tax basis in the New Equity should equal its fair market value. A Holder's holding period for the New Equity received on the Effective Date should begin on the day following the Effective Date.

2. *Consequences to Holders of Class 4 Claims*

Pursuant to the Plan, in exchange for full and final satisfaction, settlement, release and discharge of the Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive its Pro Rata share of the GUC Rights.

[Whether and the extent to which the Holder of an Allowed General Unsecured Claim recognizes gain or loss as a result of the exchange of its claim for the GUC Rights depends on whether the debt underlying the Allowed General Unsecured Claim surrendered is treated as a "security" for purposes of the reorganization provisions of the Tax Code. In general, General Unsecured Claims are unlikely to be securities for U.S. federal income tax purposes. If a Holder's Allowed General Unsecured Claim is not a security for U.S. federal income tax purposes, such Holder will be treated as exchanging such Claim for GUC Rights, in a taxable exchange under section 1001 of the Tax Code. Accordingly, each Holder of such Allowed General Unsecured Claim should recognize gain or loss equal to the difference between (1) the fair market value of GUC Rights received in exchange for the Allowed General Unsecured Claim; and (2) such Holder's adjusted basis, if any, in such Allowed General Unsecured Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Allowed General Unsecured Claim in such Holder's hands, whether the Allowed General Unsecured Claim was purchased at a discount, and whether

and to what extent the Holder previously has claimed a bad debt deduction with respect to its Allowed General Unsecured Claim. The deductibility of capital losses is subject to certain limitations as discussed below. *See* "Accrued Interest" and "Market Discount" in Sections XIV.C.7 and XIV.C.8 of this Disclosure Statement, respectively. A Holder's tax basis in any GUC Rights received should equal the fair market value of such GUC Rights as of the date such GUC Rights are distributed to the holder. A Holder's holding period for the GUC Rights received should begin on the day following the Effective Date.~~]~~.

3. *Certain U.S. Federal Income Tax Consequences of New Equity and GUC Rights*

(a) Dividends on New Equity

Any distributions made on account of the New Equity will constitute dividends for U.S. federal income tax purposes to the extent of the current or accumulated earnings and profits of the Reorganized Debtors as determined under U.S. federal income tax principles. To the extent that a Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the Holder's basis in its shares. Any such distributions in excess of the Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain.

Dividends paid to a non-corporate holder may be taxed at preferential rates provided that the applicable holding period and other requirements are met. Dividends paid to Holders that are corporations generally will be eligible for the dividends-received deduction so long as there are sufficient earnings and profits. However, the dividends-received deduction is only available if certain holding period requirements are satisfied. The length of time that a shareholder has held its stock is reduced for any period during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales, or similar transactions. In addition, to the extent that a corporation incurs indebtedness that is directly attributable to an investment in the stock on which the dividend is paid, all or a portion of the dividends received deduction may be disallowed.

(b) Sale, Redemption, or Repurchase of New Equity

Unless a non-recognition provision applies, holders generally will recognize capital gain or loss upon the sale, redemption, or other taxable disposition of New Equity. Such capital gain will be long-term capital gain if at the time of the sale, exchange, retirement, or other taxable disposition, the Holder's holding period for the New Equity is more than one year. Long-term capital gains of a non-corporate taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations as described below.

(c) Sale or Exercise of GUC Rights

Unless a non-recognition provision applies, holders generally will recognize capital gain or loss upon the sale, exercise, or other taxable disposition of the GUC Rights. Such capital gain will be long-term capital gain if at the time of the sale, exercise, or other taxable disposition, the Holder's holding period for the GUC Rights is more than one year. Long-term capital gains of a non-corporate taxpayer generally are taxed at preferential rates. The deductibility of capital losses is subject to certain limitations as described below.

4. *Accrued Interest*

To the extent that any amount received by a holder of a Claim is attributable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the Holder as ordinary interest income (to the extent not already taken into income by the Holder). Conversely, a holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest previously was included in the Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on these Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan of reorganization is binding for U.S. federal income tax purposes, while certain Treasury Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS could take the position that the consideration received by the Holder should be allocated in some way other than as provided in the Plan. Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.

5. *Market Discount*

Under the "market discount" provisions of the Tax Code, some or all of any gain recognized by a holder of a Claim who exchanges the Claim for an amount on the Effective Date may be treated as ordinary income (instead of capital gain), to the extent of the amount of "market discount" on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with "market discount" if it is acquired other than on original issue and if its holder's adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding "qualified stated interest" or (b) in the case of a debt instrument issued with original issue discount, its adjusted issue price, by at least a de minimis amount (equal to 0.25 percent of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a holder on the taxable disposition of a Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claim was considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued).

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE MARKET DISCOUNT RULES TO THEIR CLAIMS.

6. *Limitation on Use of Capital Losses*

A holder of a Claim who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the

extent of the lesser of (a) $3,000 ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate holders, capital losses may only be used to offset capital gains. A corporate holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

7. *Information Reporting and Back-Up Withholding*

Payments in respect of Allowed Claims under the Plan may be subject to applicable information reporting and backup withholding. Backup withholding of taxes will generally apply to payments in respect of an Allowed Claim under the Plan if the Holder of such Allowed Claim fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules.

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

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

XV. RECOMMENDATION

In the opinion of the Debtors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors than would otherwise result in any other scenario. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Dated: February ~~12~~14, 2018

Respectfully submitted,

Charming Charlie Holdings, Inc.,
on behalf of itself and each of the other Debtors

By: */s/ Robert Adamek*
Name: Robert Adamek
Title: Senior Vice President and Chief Financial Officer

Exhibit A

Solicitation Version

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
CHARMING CHARLIE HOLDINGS INC., *et al.*,[1]	)	Case No. 17-12906 (CSS)
Debtors.	)	(Jointly Administered)

SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF CHARMING CHARLIE HOLDINGS INC. AND ITS DEBTOR AFFILIATES 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 A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DRAFT PLAN HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT, NOR HAS THE BANKRUPTCY COURT APPROVED A DISCLOSURE STATEMENT WITH RESPECT TO THE PLAN.**~~

Joshua A. Sussberg, P.C. (admitted *pro hac vice*)
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Philadelphia, Pennsylvania 19103
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Counsel to the Debtors and Debtors in Possession

Dated: February ~~12~~14, 2018

[1] The debtors in these chapter 11 cases, along with the last four digits of each debtor's federal tax identification number, include: Charming Charlie Canada LLC (0693); Charming Charlie Holdings Inc. (6139); Charming Charlie International LLC (5887); Charming Charlie LLC (0263); Charming Charlie Manhattan LLC (7408); Charming Charlie USA, Inc. (3973); and Poseidon Partners CMS, Inc. (3302). The location of the Debtors' service address is: 6001 Savoy Drive, Houston, Texas 77036.

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SECOND AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF CHARMING CHARLIE HOLDINGS INC. AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

Charming Charlie Holdings Inc., Charming Charlie Canada LLC, Charming Charlie International LLC, Charming Charlie LLC, Charming Charlie Manhattan LLC, Charming Charlie USA, Inc., and Poseidon Partners CMS, Inc. (each a "Debtor" and, collectively, the "Debtors"), propose this joint plan of reorganization (the "Plan") for the resolution of the outstanding claims against, and equity interests in, the Debtors. Capitalized terms used in the Plan and not otherwise defined have the meanings ascribed to such terms in Article I.A of this Plan.

Although proposed jointly for administrative purposes, the Plan constitutes a separate Plan for each Debtor for the resolution of outstanding Claims and Interests pursuant to the Bankruptcy Code. The Debtors seek to consummate the Restructuring Transactions on the Effective Date of the Plan. Each Debtor is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. The classifications of Claims and Interests set forth in Article III of this Plan shall be deemed to apply separately with respect to each Plan proposed by each Debtor, as applicable. The Plan does not contemplate substantive consolidation of any of the Debtors.

Reference is made to the Disclosure Statement, ~~filed contemporaneously with the Plan,~~approved on February 13, 2018 [Docket No. 432], for a discussion of the Debtors' history, businesses, results of operations, historical financial information, projections and future operations, as well as a summary and analysis of the Plan and certain related matters, including distributions to be made under this Plan.

ALL HOLDERS OF CLAIMS AND INTERESTS ARE ENCOURAGED TO READ THE PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

Article I.

DEFINED TERMS AND RULES OF INTERPRETATION

A. Defined Terms

The following terms shall have the following meanings when used in capitalized form herein:

1. "*Accrued Professional Compensation*" means, at any date, all accrued fees and reimbursable expenses (including success fees) for services rendered by all Retained Professionals in the Chapter 11 Cases through and including such date, to the extent that such fees and expenses have not been previously paid and regardless of whether a fee application has been filed for such fees and expenses. To the extent that there is a Final Order denying some or all of a Retained Professional's fees or expenses, such denied amounts shall no longer be considered Accrued Professional Compensation.

2. "*Administrative Claim*" means a Claim (other than DIP Facilities Claims) for costs and expenses of administration under sections 503(b), 507(b), or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors; (b) Accrued Professional Compensation (to the extent Allowed by the Bankruptcy Court); and (c) all fees and charges assessed against the Estates under chapter 123 of title 28 United States Code, 28 U.S.C. §§ 1911-1930.

3. "*Administrative Claims Bar Date*" means the date that is the 30th day after the Effective Date.

4. "*Affiliate*" means an affiliate as defined in section 101(2) of the Bankruptcy Code.

5. "*Allowed*" means, with respect to any Claim or Interest, except as otherwise provided herein, a Claim or Interest allowed under the Plan, under the Bankruptcy Code, as applicable, or by a Final Order.

6. "*Assumed Executory Contract/Unexpired Lease List*" means the list (as may be amended) of Executory Contracts and/or Unexpired Leases (including any amendments or modifications thereto) that will be assumed by the Reorganized Debtors pursuant to the Plan, as determined by the Debtors and the Requisite First Lien Lenders pursuant to the Plan Support Agreement.

7. "*Avoidance Actions*" means any and all avoidance, recovery, subordination, or other claims, actions, or remedies that may be brought by or on behalf of the Debtors or their Estates or other authorized parties in interest under the Bankruptcy Code or applicable non-bankruptcy law, including actions or remedies under sections 502, 510, 542, 544, 545, 547 through 553, and 724(a) of the Bankruptcy Code or under similar or related state or federal statutes and common law, including fraudulent transfer laws.

8. "*Ballot*" means the ballots accompanying the Disclosure Statement upon which certain Holders of Impaired Claims entitled to vote shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the Plan and the procedures governing the solicitation process.

9. "*Bankruptcy Code*" means title 11 of the United States Code, 11 U.S.C. §§ 101-1532.

10. "*Bankruptcy Court*" means the United States Bankruptcy Court for the District of Delaware or such other court having jurisdiction over the Chapter 11 Cases.

11. "*Bankruptcy Rules*" means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, 28 U.S.C. § 2075, as applicable to the Chapter 11 Cases, and the general, local, and chambers rules of the Bankruptcy Court.

12. "*Bar Date Order*" means the *Order (I) Setting Bar Dates For Filing Proofs of Claim, Including Requests for Payment Under Section 503(b)(9), (II) Establishing Amended Schedules Bar Date and Rejection Damages Bar Date, (III) Approving the Form of and Manner for Filing Proofs of Claim, Including Section 503(b)(9) Requests, and (IV) Approving Form and Manner of Notice Thereof* [Docket No. 299], entered by the Bankruptcy Court on January 10, 2018.

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

14. "*Bylaws*" means the bylaws of Reorganized HoldCo, substantially in the form included in the Plan Supplement.

15. "*Cash*" means the legal tender of the United States of America or the equivalent thereof.

16. "*Causes of Action*" means any claims, interests, damages, remedies, causes of action, demands, rights, actions, suits, obligations, liabilities, accounts, defenses, offsets, powers, privileges, licenses, liens, indemnities, guaranties, and franchises of any kind or character whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, contingent or non-contingent, liquidated or unliquidated, secured or unsecured, assertable, directly or derivatively, matured or unmatured, suspected or unsuspected, in contract, tort, law, equity, or otherwise. Causes of Action also include: (a) all rights of setoff, counterclaim, or recoupment and claims under contracts or for breaches of duties imposed by law; (b) the right to object to or otherwise contest Claims or Interests; (c) claims pursuant to sections 362, 510, 542, 543, 544 through 550, or 553 of the Bankruptcy Code; and (d) such claims and defenses as fraud, mistake, duress, and usury, and any other defenses set forth in section 558 of the Bankruptcy Code.

17. "*Certificate of Incorporation*" means the certificate of incorporation of Reorganized HoldCo, substantially in the form included in the Plan Supplement, which shall be in form and substance reasonably satisfactory to the Requisite First Lien Lenders.

18. "*Chapter 11 Cases*" means (a) when used with reference to a particular Debtor, the chapter 11 case filed for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and (b) when used with reference to all Debtors, the jointly administered chapter 11 cases for all of the Debtors.

19. "*Claim*" means any claim, as defined in section 101(5) of the Bankruptcy Code, against any of the Debtors.

20. "*Claims Bar Date*" means, as applicable, the Administrative Claims Bar Date, the bar date for Governmental Units, the general bar date, and the contract rejection damages bar date each established pursuant to the Bar Date Order.

21. "*Claims Objection Deadline*" means the deadline for objecting to a Claim asserted against a Debtor, which shall be on the date that is the later of (a)(i) with respect to Administrative Claims, 60 days after the Administrative Claims Bar Date or (ii) with respect to all other Claims, 180 days after the Effective Date and (b) such other period of limitation as may be specifically fixed by the Debtors or the Reorganized Debtors, as applicable, or by an order of the Bankruptcy Court for objecting to such Claims.

22. "*Claims Register*" means the official register of Claims and Interests maintained by the Notice and Claims Agent.

23. "*Class*" means a category of Claims or Equity Interests as set forth in Article III of this Plan pursuant to section 1122(a) of the Bankruptcy Code.

24. "*Compensation and Benefits Programs*" means all compensation and benefit plans, policies, and programs of the Debtors, and all amendments and modifications thereto, applicable to the Debtors' employees, former employees, retirees, and non-employee directors and the employees, former employees and retirees of their subsidiaries, including all savings plans, retirement plans, health care plans, disability plans, and incentive plans, deferred compensation plans, and life, accidental death, and dismemberment insurance plans.

25. "*Confirmation*" means the entry of the Confirmation Order by the Bankruptcy Court on the docket of the Chapter 11 Cases.

26. "*Confirmation Date*" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases.

27. "*Confirmation Hearing*" means the hearing conducted by the Bankruptcy Court pursuant to section 1128(a) of the Bankruptcy Code to consider confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

28. "*Confirmation Order*" means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, which shall be in form and substance reasonably satisfactory to (a) the Requisite First Lien Lenders; (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners; and (c) the DIP Agents solely to the extent the provisions therein affect the legal and/or economic rights of the DIP Agents and/or DIP Lenders.

29. "*Consenting Lenders*" has the meaning ascribed to such term in the Plan Support Agreement.

30. "*Consenting Term Loan Committee*" means that certain ad hoc committee of Holders of Prepetition Term Loan Claims represented by Paul, Weiss, Rifkind, Wharton & Garrison LLP and Young Conaway Stargatt & Taylor LLP and advised by FTI Consulting.

31. "*Cure Cost*" means all amounts, including an amount of $0.00, required to cure any monetary defaults under any Executory Contract or Unexpired Lease (or such lesser amount as may be agreed upon by the parties under an Executory Contract or Unexpired Lease) that is to be assumed by the Debtors pursuant to sections 365 or 1123 of the Bankruptcy Code.

32. "*D&O Liability Insurance Policies*" means all insurance policies of any of the Debtors for directors', managers', and officers' liability existing as of the Petition Date.

33. "*Debtor Release*" means the releases set forth in Article IX.B of this Plan.

34. "*DIP ABL Agent*" means Bank of America, N.A., in its capacity as administrative agent and collateral agent under the DIP ABL Facility.

35. "*DIP ABL Agreement*" means that certain Senior Secured, Super-Priority Debtor-In-Possession Credit Agreement, dated as of December 14, 2017, by Charming Charlie LLC, Charming Charlie USA, Inc., as borrowers, the other Debtors, as guarantors, the DIP ABL Agent, and the DIP ABL Lenders, as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

36. "*DIP ABL Documents*" has the meaning ascribed to such term in the DIP Orders.

37. "*DIP ABL Facility*" means that certain $35,000,000 debtor-in-possession financing facility, available pursuant to the terms and conditions of the DIP ABL Agreement.

38. "*DIP ABL Facility Claim*" means any Claim derived from, based upon, or secured by the DIP ABL Documents or DIP Orders, including claims for all principal amounts outstanding, interest, fees, expenses, costs and other charges arising under or related to the DIP ABL Facility.

39. "*DIP ABL Lenders*" means the DIP ABL Agent and those lenders from time to time party to the DIP ABL Documents.

40. "*DIP ABL Obligations*" has the meaning ascribed to such term in the DIP Orders.

41. "*DIP Agents*" means the DIP ABL Agent and the DIP Term Loan Agent.

42. "*DIP Agreements*" means the DIP ABL Agreement and the DIP Term Loan Agreement.

43. "*DIP Documents*" means the DIP ABL Documents and the DIP Term Loan Documents.

44. "*DIP Facilities*" means the DIP ABL Facility and the DIP Term Loan Facility.

45. "*DIP Facilities Claim*" means any DIP ABL Claim and DIP Term Loan Claim.

46. "*DIP Lenders*" means the DIP ABL Lenders and the DIP Term Loan Lenders.

47. "*DIP Orders*" means, collectively, the Interim DIP Order and the Final DIP Order.

48. "*DIP Term Loan Agent*" means Wilmington Trust, National Association, in its capacity as successor administrative agent and collateral agent under the DIP Term Loan Facility.

49. "*DIP Term Loan Agreement*" means that certain Senior Secured, Super-Priority Debtor-In-Possession Term Loan and Guarantee Agreement, dated as of December 14, 2017, by Charming Charlie Holdings Inc., as Holdings, Charming Charlie LLC, as borrower, the other Debtors, as guarantors, the DIP Term Loan Agent, and the DIP Term Loan Lenders, as the same may be amended, restated, supplemented, or otherwise modified from time to time in accordance with the terms thereof.

50. "*DIP Term Loan Documents*" has the meaning ascribed to such term in the DIP Orders.

51. "*DIP Term Loan Facility*" means that certain $60,000,000 debtor-in-possession financing facility, available pursuant to the terms and conditions of the DIP Term Loan Agreement.

52. "*DIP Term Loan Facility Claim*" means any Claim derived from, based upon, or secured by the DIP Term Loan Documents or DIP Orders, including claims for all principal amounts outstanding, interest, fees, expenses, costs and other charges arising under or related to the DIP Term Loan Facility.

53. "*DIP Term Loan Interest Claim*" means any Claim for any accrued and unpaid interest payable under the DIP Term Loan Agreement.

54. "*DIP Term Loan Lenders*" means the DIP Term Loan Agent and those lenders from time to time party to the DIP Term Loan Documents.

55. "*DIP Term Loan New Money Claim*" means any Claim arising under or related to the DIP Term Loan New Money Loans.

56. "*DIP Term Loan New Money Loans*" means the $20,000,000 in new money financing provided for pursuant to the DIP Term Loan Facility.

57. "*DIP Term Loan Obligations*" has the meaning ascribed to such term in the DIP Orders.

58. "*DIP Term Loan Roll-Up Claim*" means any Claim arising under or related to the DIP Term Loan Roll-Up Loans.

59. "*DIP Term Loan Roll-Up Loans*" means the $40,000,000 in Prepetition Term Loan Claims, which shall be be converted into Claims under the DIP Term Loan Facility pursuant to, and upon entry of, the Final DIP Order.

60. "*Disclosure Statement*" means the disclosure statement for the Plan, including all exhibits and schedules thereto, as amended, supplemented, or modified from time to time in accordance with the Plan Support Agreement, that is prepared and distributed in accordance with sections 1125, 1126(b), and 1145 of the Bankruptcy Code, Bankruptcy Rule 3018, and other applicable law, which shall be in form and substance reasonably satisfactory to (a) the Requisite First Lien Lenders and (b) the Owners, solely to the extent the provisions therein affect the legal and/or economic rights of the Owners.

61. "*Disclosure Statement Order*" means the order of the Bankruptcy Court approving the Disclosure Statement, which shall be in form and substance reasonably satisfactory to (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners. [Docket No. 432].

62. "*Disputed*" means, with respect to any Claim or Interest, except as otherwise provided herein, a Claim or Interest that is not yet Allowed.

63. "*Distribution Agent*" means the Debtors or any Entity or Entities chosen by the Debtors, in consultation with the Requisite First Lien Lenders, which Entities may include the Notice and Claims Agent, to make or to facilitate distributions required by the Plan.

64. "*Distribution Record Date*" means the date for determining which Holders of Claims are eligible to receive distributions under the plan, which date shall be the Confirmation Date.

65. "*Effective Date*" means the date selected by the Debtors, in consultation with the Requisite First Lien Lenders, that is a Business Day no later than 90 Business Days after the Petition Date (which date may be modified in accordance with the provisions set forth in the Interim DIP Order, the Final DIP Order, the DIP Documents, and the Plan Support Agreement) on which: (a) no stay of the Confirmation Order is in effect; and (b) all conditions specified in Article VIII.A of this Plan have been (i) satisfied or (ii) waived pursuant to Article VIII.A of this Plan.

66. "*Entity*" means an entity as defined in section 101(15) of the Bankruptcy Code.

67. "*Equity Interest*" means any issued, unissued, authorized, or outstanding shares of common stock, preferred stock or other instrument evidencing an ownership interest in a Debtor, whether or not transferable, together with any warrants, equity-based awards or contractual rights to purchase or acquire such equity interests at any time and all rights arising with respect thereto that existed immediately before the Effective Date; *provided* that Equity Interest does not include any Intercompany Interest.

68. "*Estate*" means, as to each Debtor, the estate created for such Debtor in its Chapter 11 Case pursuant to sections 301 and 541 of the Bankruptcy Code.

69. "*Exculpated Fiduciaries*" means, collectively, each of the following in their respective capacities as such: (a) the Debtors; (b) the Reorganized Debtors; and (c) with respect to each of (a) and (b) to the extent they were employed in such capacity on or after the Petition Date, such Entity's directors, officers, partners, managers, trustees, assigns, employees, agents, advisory board members, predecessors, successors, heirs, executors and assignees, attorneys, financial advisors, investment bankers, accountants, consultants and other professionals or representatives.

70. "*Exculpated Parties*" means, collectively: (a) the Exculpated Fiduciaries and (b) the Section 1125(e) Parties.

71. "*Executory Contract*" means a contract or lease to which one or more of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

72. "*Existing Equity Holders*" means the Owners and any other Entity that directly or indirectly hold Equity Interests in HoldCo.

73. "*Exit ABL Agent*" means any agent under the Exit ABL Facility in accordance with the Exit ABL Documentation.

74. "*Exit ABL Documentation*" means any documentation necessary to effectuate the incurrence of the Exit ABL Facility, forms of which shall be included in the Plan Supplement and shall be in form and substance reasonably satisfactory to (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners.

75. "*Exit ABL Facility*" means either: (a) a replacement asset-based revolving loan facility pursuant to which the DIP ABL Lenders consent to converting all of their outstanding DIP ABL Facility Claims and commitments under the DIP ABL Facility into commitments under such Exit ABL Facility on such terms and conditions reasonably satisfactory to the Requisite First Lien Lenders, the DIP ABL Lenders, and, the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners or (b) a new asset-based revolving loan facility in an amount sufficient to indefeasibly repay in full in Cash on the Effective Date the DIP ABL Facility and satisfy section 1129 of the Bankruptcy Code, and with such other terms and conditions reasonably satisfactory to (i) the Requisite First Lien Lenders and (ii) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners.

76. "*Exit ABL Lender*" means any lender under the Exit ABL Facility in accordance with the Exit ABL Documentation.

77. "*Exit Facilities*" means, collectively, the Exit ABL Facility and the Exit Term Loan Facility.

78. "*Exit Facility Documentation*" means, collectively, the Exit ABL Documentation and the Exit Term Loan Documentation.

79. "*Exit Term Loan Agent*" means any agent under the Exit Term Loan Facility in accordance with the Exit Term Loan Documentation.

80. "*Exit Term Loan Documentation*" means any documentation necessary to effectuate the incurrence of the Exit Term Loan Facility, forms of which shall be included in the Plan Supplement and shall be in form and substance reasonably satisfactory to (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners.

81. "*Exit Term Loan Facility*" means the Exit Tranche A Term Loans and the Exit Tranche B Term Loans on terms and conditions (and in an amount) reasonably satisfactory to (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners.

82. "*Exit Term Loan Lender*" means any lender under the Exit Term Loan Facility in accordance with the Exit Term Loan Documentation.

83. "*Exit Tranche A Term Loans*" means the senior secured tranche A term loans in an aggregate principal amount of $20 million that shall be issued in accordance with the terms set forth in the Plan Support Agreement and on such other terms and conditions as shall be set forth in the Plan Supplement, which shall be on terms and conditions reasonably satisfactory to the Requisite First Lien Lenders.

84. "*Exit Tranche B Term Loans*" means the senior secured tranche B term loans in an aggregate principal amount of $30 million that shall be issued in accordance with the terms set forth in the Plan Support Agreement and on such other terms and conditions as shall be set forth in the Plan Supplement, which shall be on terms and conditions reasonably satisfactory to the Requisite First Lien Lenders.

85. "*Final DIP Order*" means the *Final Order (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to Prepetition Lenders, (V) Modifying Automatic Stay, and (VI) Granting Related Relief* [Docket No. 309], entered by the Bankruptcy Court on January 11, 2018.

86. "*Final Order*" means an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter that has not been reversed, stayed, modified, or amended, and as to which the time to appeal, seek reconsideration under Rule 59(b) or 59(e) of the Federal Rules of Civil Procedure, seek a new trial, reargument, or rehearing and, where applicable, petition for certiorari has expired and no appeal, motion for reconsideration under Rule 59(b) or 59(e) of the Federal Rules of Civil Procedure, motion for a new trial, reargument or rehearing or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought, or as to which any motion for reconsideration that has been filed pursuant to Rule 59(b) or 59(e) of the Federal Rules of Civil Procedure or any motion for a new trial, reargument, or rehearing shall have been denied, resulted in no modification of such order, or has otherwise been dismissed with prejudice; *provided* that the possibility that a motion pursuant to Rule 60 of the Federal Rules of Civil Procedure or Bankruptcy Rule 9024, or any analogous rule, may be filed relating to such order or judgment shall not cause such order or judgment not to be a Final Order.

87. *"General Administrative Claim*" means any Administrative Claim, including Cure Costs, other than a Professional Fee Claim.

88. "*General Unsecured Claims*" means any unsecured claim (other than an Administrative Claim, a Priority Tax Claim, an Other Priority Claim, a Prepetition Term Loan Claim, or an Intercompany Claim) against one or more of the Debtors including (a) Claims arising from the rejection of Unexpired Leases and Executory Contracts to which a Debtor is a party, and (b) Claims arising from any litigation or other court, administrative or regulatory proceeding, including damages or judgments entered against, or settlement amounts owing by a Debtor related thereto.

89. "*Governmental Unit*" means a governmental unit as defined in section 101(27) of the Bankruptcy Code.

90. "*GUC Rights*" means the contingent value rights for New Equity that shall be issued on such terms and conditions as shall be set forth in the Plan Supplement, and as detailed in the Disclosure Statement, which terms shall be reasonably satisfactory to the Requisite First Lien Lenders.

91. "*Holder*" means an Entity holding a Claim or Interest.

92. "*HoldCo*" means Charming Charlie Holdings Inc., a Delaware corporation and the ultimate parent of all of the Debtors.

93. "*Impaired*" means "impaired" within the meaning of section 1124 of the Bankruptcy Code.

94. "*Impaired Class*" means a Class that is Impaired.

95. "*Initial Distribution Date*" means the date that is on or as soon as practicable after the Effective Date when distributions under the Plan shall commence for each Class entitled to receive distributions.

96. "*Insider*" means an insider as defined in section 101(31) of the Bankruptcy Code.

97. "*Intercompany Claims*" means, collectively, any Claim held by a Debtor against another Debtor or an Affiliate of a Debtor or any Claim held by an Affiliate of a Debtor against a Debtor.

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

99. "*Intercreditor Agreement*" means that certain Intercreditor Agreement, dated December 24, 2013, as amended, by and among the Prepetition ABL Agent and the Prepetition Term Loan Agent.

100. "*Interests*" means, collectively, Equity Interests and Intercompany Interests.

101. "*Interim Compensation Order*" means the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals*, [Docket No. 294], entered by the Bankruptcy Court on January 10, 2018.

102. "*Interim DIP Order*" means the *Interim Order (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Authorizing the Debtors to Use Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection to Prepetition Lenders, (V) Modifying Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* [Docket No. 93], entered by the Bankruptcy Court on December 13, 2017.

103. "*Key Go-Forward Creditor*" means any Entity (a)(i) from which the Debtors are receiving, and the Reorganized Debtors elect as of the Effective Date to continue receiving, goods and services or (ii) that is a lessor under an Unexpired Lease of nonresidential real property assumed by the Debtors as of the Effective Date, and (b) with whom the Debtors or the Reorganized Debtors, in consultation with the Official Committee and Requisite First Lien Lenders, elect to execute a Key Go-Forward Creditor Agreement.

104. "*Key Go-Forward Creditor Agreements*" means those certain agreements between the Debtors and Key Go-Forward Creditors that shall (a) be reasonably acceptable to the Official Committee and Requisite First Lien Lenders and (b) provide for certain beneficial business terms for the Reorganized Debtors.

105. "*Key Go-Forward Creditor Program*" means the fund in the amount of $1,000,000 to be established on the Effective Date with the proceeds of the Plan Reimbursement, which shall be used in accordance with the Key Go-Forward Creditor Agreements.

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

107. "*Local Bankruptcy Rules*" means the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware.

108. "*Management Incentive Plan*" means the management incentive plan of the Reorganized Debtors to be implemented by the New Board on or as soon as reasonably practicable following the Effective Date, and which management incentive plan shall reserve up to 10 percent of the fully diluted New Equity to be awarded to participants on terms and conditions to be determined by the New Board. The form and allocation of any equity awards granted pursuant to the Management Incentive Plan shall be determined by the New Board (or a committee thereof).

109. "*New Board*" means the initial board of directors of Reorganized HoldCo as of the Effective Date, as determined in accordance with the Plan Support Agreement.

110. "*New Employment Agreements*" means the new employment agreements that the Reorganized Debtors shall enter into on the Effective Date pursuant to the Plan Support Agreement, in each case on terms satisfactory to the Reorganized Debtors and the applicable employee and in such form as shall be set forth in the Plan Supplement.

111. "*New Equity*" means the common equity in Reorganized HoldCo to be authorized, issued, or reserved on the Effective Date pursuant to the Plan.

112. "*New Organizational Documents*" means such certificates or articles of incorporation, bylaws, or other applicable formation documents of each of the Reorganized Debtors, as applicable, the forms of which shall be included in the Plan Supplement, including the Stockholders Agreement, if any, the Certificate of Incorporation, and the Bylaws, which shall be in form and substance reasonably satisfactory to (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners.

113. "*Notice and Claims Agent*" means Rust Consulting/Omni Management, in its capacity as noticing, claims, and solicitation agent for the Debtors, pursuant to the *Order (I) Authorizing and Approving the Appointment of Rust Consulting/Omni Bankruptcy as Notice and Claims Agent to the Debtors and (II) Granting Related Relief* [Docket No. 92], entered by the Bankruptcy Court on December 13, 2017, and the *Order (A) Authorizing the Debtors to Employ and Retain Rust Consulting/Omni Bankruptcy as Administrative Agent* Nunc Pro Tunc *to the Petition Date, and (B) Granting Related Relief* [Docket No. 287], entered by the Bankruptcy Court on January 10, 2018.

114. "*Official Committee*" means the official committee of unsecured claimholders appointed in the Chapter 11 Cases pursuant to section 1102(a) of the Bankruptcy Code.

115. "*Other Priority Claim*" means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim or Claims entitled to administrative expense priority pursuant to section 503(b)(9) of the Bankruptcy Code.

116. "*Other Secured Claim*" means any Secured Claim against the Debtors other than the DIP Facilities Claims, Prepetition ABL Claims, and the Prepetition Term Loan Claims.

117. "*Owners*" has the meaning ascribed to such term in the Plan Support Agreement.

118. "*Periodic Distribution Date*" means the first Business Day that is as soon as reasonably practicable occurring approximately ninety (90) days after the immediately preceding Periodic Distribution Date.

119. "*Petition Date*" means December 11, 2017.

120. "*Plan*" means this joint plan of reorganization under chapter 11 of the Bankruptcy Code, either in its present form or as it may be altered, amended, modified, or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Plan Support Agreement, or the terms hereof, as the case may be, and the Plan Supplement, which is incorporated herein by reference, including all exhibits and schedules hereto and thereto, each of which shall be in form and substance reasonably satisfactory to (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners.

121. "*Plan Reimbursement*" means the agreement between the Debtors, the Official Committee, and Mr. Charles J. Chanaratsopon, pursuant to which (a) Mr. Chanaratsopon shall pay $1,000,000 to the Debtors on the Effective Date in settlement of all potential claims and causes of action between Mr. Chanaratsopon and the Debtors, the proceeds of which shall be used by the Debtors to fund the Key Go-Forward Creditor Program and (b) the Debtors, the Official Committee, and Mr. Chanaratsopon shall provide mutual releases of all claims and Causes of Action they may hold against each other, consistent with the terms of the Plan Support Agreement and this Plan, except for an Allowed General Unsecured Claim in the amount of $1.25 million to be granted to Mr. Chanaratsopon on account of severance claims that accrued under his employment agreement following his resignation as CEO of the Debtors on October 17, 2017.

122. "*Plan Supplement*" means the compilation of documents and forms of documents, schedules, and exhibits, in each case subject to the terms and provisions of the Plan Support Agreement (including any consent rights as to the form and substance of such documents set forth therein), to be filed on the Plan Supplement Filing Date, as amended, modified or supplemented from time to time in accordance with the terms hereof and in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Plan Support Agreement, each of which shall be in form and substance reasonably satisfactory to (x) the Requisite First Lien Lenders and (y) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners, including the following documents: (a) the New Organizational Documents; (b) the Assumed Executory Contract/Unexpired Lease List; (c) the Rejected Executory Contract/Unexpired Lease List; (d) a list of retained Causes of Action; (e) to the extent

known, the identity of the members of the New Board; (f) the Plan Support Agreement; (g) the Exit ABL Documentation (or a term sheet setting forth the material terms thereof); (h) the Exit Term Loan Documentation (or a term sheet setting forth the material terms thereof); (i) the form of New Employment Agreements; (j) additional material terms of the GUC Rights; and (k) any and all other documentation necessary to effectuate the Restructuring Transactions or that is contemplated by the Plan; *provided* that the Assumed Executory Contract/Unexpired Lease List and the Rejected Executory Contract/Unexpired Lease List will be filed no later than March 5, 2018.

123. "*Plan Supplement Filing Date*" means the date that is at least seven days prior to the date on which objections to Confirmation are due pursuant to the Disclosure Statement Order.

124. "*Plan Support Agreement*" means that certain Plan Support Agreement entered into on December 10, 2017 by and among the Debtors, the Owners, the Consenting Lenders, and any subsequent Entity that becomes a party thereto pursuant to the terms thereof.

125. "*Prepetition ABL Agent*" means Bank of America, N.A., in its capacity as administrative agent and collateral agent under the Prepetition ABL Facility.

126. "*Prepetition ABL Agreement*" means that certain Credit Agreement, dated as of June 22, 2015, as amended, supplemented, or modified from time to time, among the Debtors, the Prepetition ABL Agent, and the Prepetition ABL Lenders.

127. "*Prepetition ABL Claim*" means any Claim derived from, based upon, or secured by the Prepetition ABL Documents, which Claims shall be deemed Allowed Claims.

128. "*Prepetition ABL Documents*" means the Prepetition ABL Agreement and any other agreements or documents executed in connection with or related thereto.

129. "*Prepetition ABL Facility*" means the prepetition senior secured revolving financing in the aggregate principal amount of up to $55,000,000 at any time outstanding provided by the Prepetition ABL Lenders.

130. "*Prepetition ABL Lenders*" means the Prepetition ABL Agent and the other lenders from time to time party to the Prepetition ABL Facility.

131. "*Prepetition Term Loan Agent*" means Wilmington Trust, National Association, and its predecessors thereto prior to the Petition Date, each in its capacity as administrative agent and collateral agent under the Prepetition Term Loan Facility.

132. "*Prepetition Term Loan Agreement*" means that certain Credit Agreement, dated as of December 24, 2013, as amended, supplemented, or modified from time to time, among the Debtors, the Prepetition Term Loan Agent, and the Prepetition Term Loan Lenders.

133. "*Prepetition Term Loan Claim*" means any Claim held by the Prepetition Term Loan Lenders that is derived from or based upon the Prepetition Term Loan Facility.

134. "*Prepetition Term Loan Facility*" means the prepetition senior secured term loan credit facility in the original aggregate principal amount of up to $150,000,000 at any time outstanding provided by the Prepetition Term Loan Lenders.

135. "*Prepetition Term Loan Lenders*" means the Prepetition Term Loan Agent and the banks, financial institutions, and other lenders party to the Prepetition Term Loan Facility from time to time.

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

137. "*Pro Rata Share*" means with respect to any distribution on account of an Allowed Claim, a distribution equal in amount to the ratio (expressed as a percentage) that the amount of such Allowed Claim bears to the aggregate amount of all Allowed Claims in its Class.

138. "*Professional Fee Claim*" means a Claim by a Retained Professional seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Confirmation Date under sections 330, 331, 503(b)(2), 503(b)(3), 503(b)(4), or 503(b)(5) of the Bankruptcy Code.

139. "*Professional Fee Escrow Account*" means an interest-bearing escrow account in an amount equal to the Professional Fee Reserve Amount to be funded and maintained by the Reorganized Debtors on and after the Effective Date solely for the purpose of paying all Allowed and unpaid fees and expenses of Retained Professionals in the Chapter 11 Cases.

140. "*Professional Fee Reserve Amount*" means the aggregate Accrued Professional Compensation through the Effective Date as estimated by the Retained Professionals in accordance with Article II.A.2.c of this Plan.

141. "*Proof of Claim*" means a proof of Claim filed against any Debtor in the Chapter 11 Cases.

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

143. "*Rejected Executory Contract/Unexpired Lease List*" means the list (as may be amended) of Executory Contracts and/or Unexpired Leases (including any amendments or modifications thereto) that will be rejected pursuant to the Plan, as determined by the Debtors and the Requisite First Lien Lenders pursuant to the Plan Support Agreement.

144. "*Rejection Procedures*" means the procedures for the rejection of Executory Contracts and Unexpired Leases approved by the Bankruptcy Court on January 10, 2018, pursuant to the *Order Authorizing and Approving Procedures to Reject Executory Contracts and Unexpired Leases* [Docket No. 286].

145. "*Released Parties*" means, collectively, the Debtors, the Reorganized Debtors, the Prepetition ABL Agent, the Prepetition Term Loan Agent, the Prepetition ABL Lenders, the Prepetition Term Loan Lenders, the Owners, the DIP Agents, the DIP Lenders, the agents and lenders under the Exit Facilities, the Consenting Lenders, any party to the Plan Support Agreement, the Existing Equity Holders, the Official Committee, and with respect to each of the Entities listed above, such Entity's predecessors, successors, assigns, direct and indirect subsidiaries, affiliates, current and former officers and directors, principals, shareholders, employees, members, partners, managers, agents, advisory board members, attorneys, financial advisors, investment bankers, accountants, consultants, and other professionals or representatives each solely in their capacities as such; *provided, however*, that any Holder of a Claim or Interest that validly "opts out" of the release set forth in its Ballot shall not be a "Released Party."

146. "*Releasing Parties*" means, collectively, the Debtors, the Reorganized Debtors, the Prepetition ABL Agent, the Prepetition Term Loan Agent, the Prepetition ABL Lenders, the Prepetition Term Loan Lenders, the Owners, the DIP Agents, the DIP Lenders, the agents and lenders under the Exit Facilities, the Consenting Lenders, any party to the Plan Support Agreement, the Existing Equity Holders, the Official Committee, all Holders of Claims or Interests that are presumed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, all Holders of Claims or Interests that vote to accept or reject the Plan and do not affirmatively elect to "opt out" of being a Releasing Party and Released Party on such Holder's Ballot, all Holders of Claims or Interests in voting Classes that abstain from voting on the Plan and do not affirmatively elect to "opt out" of being a Releasing Party and Released Party on such Holder's Ballot, and, with respect to each of the Entities listed above, such Entity's predecessors, successors, assigns, direct and indirect subsidiaries, affiliates, current and former officers and directors, principals, shareholders, employees, members, partners, managers, agents, advisory board members, attorneys, financial advisors, investment bankers, accountants, consultants, and other professionals or representatives each solely in their capacities as such; *provided* that Holders of Claims or Interests (a) whose solicitation packages were returned to the Debtors or their agent as undeliverable or (b) who did not receive solicitation packages pursuant to paragraph 16(b) of the Disclosure Statement Order on account of service to such Holder of the notice of the disclosure statement hearing being returned undeliverable, shall not be "Releasing Parties" and such Holders shall be set forth on an exhibit to the voting report to be filed by the Notice and Claims Agent.

147. "*Reorganized Debtors*" means the Debtors, as reorganized pursuant to and under the Plan, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date, including Reorganized HoldCo.

148. "*Reorganized HoldCo*" means either (a) Charming Charlie Holdings Inc., or any successor thereto as reorganized pursuant to and under the Plan, or (b) a new corporation or limited liability company that may be formed or caused to be formed by the Debtors (with the consent of the Requisite First Lien Lenders) to, among other things, directly or indirectly acquire substantially all of the assets and/or stock of the Debtors and issue the New Equity to be distributed or sold pursuant to the Plan.

149. "*Representatives*" means, with regard to an Entity, current and former officers, directors, members (including *ex officio* members), managers, employees, partners, advisors, attorneys, professionals, accountants, investment bankers, investment advisors, actuaries, Affiliates, financial advisors, consultants, agents, and other representatives of each of the foregoing Entities (whether current or former, in each case in his, her or its capacity as such).

150. "*Requisite First Lien Lenders*" has the meaning ascribed to such term in the Plan Support Agreement.

151. "*Restructuring Transactions*" means the transactions described in Article IV.B of this Plan

152. "*Retained Professional*" means an Entity: (a) employed in the Chapter 11 Cases pursuant to a Final Order in accordance with sections 327 and 1103 of the Bankruptcy Code and to be compensated for services rendered prior to the Effective Date, pursuant to sections 327, 328, 329, 330, or 331 of the Bankruptcy Code; or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

153. "*SEC*" means the Securities and Exchange Commission.

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

155. "*Section 1125(e) Parties*" means, collectively, each of the following in their respective capacities as such (a) the DIP Agents, (b) the DIP Lenders, (c) the Prepetition ABL Agent, (d) the Prepetition ABL Lenders, (e) the Prepetition Term Loan Agent, (f) the Prepetition Term Loan Lenders, (g) the Exit ABL Agent, (h) the Exit ABL Lenders, (i) the Exit Term Loan Agent, (j) the Exit Term Loan Lenders, (k) the Existing Equity Holders, (l) the Consenting Lenders, (m) the Owners, (n) the Debtors' principals, members, affiliates, parents, and subsidiaries, (o) the Official Committee; and (p) with respect to each of the Entities named in (a) through (o) above, such Entity's directors, officers, current and former shareholders (regardless of whether such interests are held directly or indirectly), partners, managers, trustees, assigns, principals, members, employees, agents, affiliates, advisory board members, parents, subsidiaries, predecessors, successors, heirs, executors and assignees, attorneys, financial advisors, investment bankers, accountants, consultants and other professionals or representatives.

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

157. "*Securities*" means any instruments that qualify under section 2(a)(1) of the Securities Act, including the New Equity.

158. "*Securities Act*" means the Securities Act of 1933, as now in effect or hereafter amended, or any regulations promulgated thereunder.

159. "*Securities Exchange Act*" means the Securities Exchange Act of 1934, as amended.

160. "*Stockholders Agreement*" means the stockholders agreement, if any, with respect to the New Equity to be effective on the Effective Date, which shall be included in the Plan Supplement and shall be in form and substance reasonably satisfactory to the Requisite First Lien Lenders.

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

162. "*Unimpaired*" means, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests, not "impaired" within the meaning of sections 1123(a)(4) and 1124 of the Bankruptcy Code.

163. "*United States Trustee*" means the United States Trustee for the District of Delaware.

164. "*Voting Deadline*" means the date and time set forth in the Disclosure Statement Order by which votes to accept or reject the Plan, as applicable, must be actually received by the Notice and Claims Agent.

165. "*Voting Record Date*" means the date established as the voting record date pursuant to the Disclosure Statement Order.

B. Rules of Interpretation

1. For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine, and the neuter gender; (b) unless otherwise specified, any reference herein to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (c) unless otherwise specified, any reference herein to an existing document or exhibit having been filed or to be filed shall mean that document or exhibit, as it may thereafter be amended, modified, or supplemented; (d) unless otherwise specified, all references herein to "Articles" are references to Articles of this Plan; (e) the words ''herein,'' "hereof," and ''hereto'' refer to the Plan in its entirety rather than to a particular portion of the Plan; (f) the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, and shall be deemed to be followed by the words "without limitation"; (g) references to "shareholders," "directors," and/or "officers" shall also include "members" and/or "managers," as applicable, as such terms are defined under the applicable state limited liability company laws; (h) references to "Proofs of Claim," "holders of Claims," "Disputed Claims," and the like shall include "Proofs of Interest," "holders of Interests," "Disputed Interests," and the like, as applicable; (i) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (j) unless otherwise specified herein, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (k) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be; (l) any effectuating provisions may be interpreted by the Reorganized Debtors in such a manner that is consistent with the overall purpose and intent of the Plan all without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity, and such interpretation shall control; and (m) references to docket numbers are references to the docket numbers of documents filed in the Chapter 11 Cases under the Bankruptcy Court's CM/ECF system.

2. The provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein. Unless otherwise specified herein, any references to the Effective Date shall mean the Effective Date or as soon as reasonably practicable thereafter.

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

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

Article II.

ADMINISTRATIVE CLAIMS, DIP FACILITIES CLAIMS, PRIORITY TAX CLAIMS, AND UNITED STATES TRUSTEE STATUTORY FEES

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

A. Administrative Claims

1. General Administrative Claims

Subject to the provisions of sections 328, 330(a), and 331 of the Bankruptcy Code, except to the extent that a Holder of an Allowed General Administrative Claim and the applicable Debtor(s) agree to less favorable treatment with respect to such Allowed General Administrative Claim, each Holder of an Allowed General Administrative Claim will be paid the full unpaid amount of such Allowed Administrative Claim in Cash: (a) on the Effective Date or as soon as reasonably practicable thereafter or, if not then due, when such Allowed General Administrative Claim is due or as soon as reasonably practicable thereafter; (b) if a General Administrative Claim is Allowed after the Effective Date, on the date such General Administrative Claim is Allowed or as soon as reasonably practicable thereafter or, if not then due, when such Allowed General Administrative Claim is due or as soon as reasonably practicable thereafter; (c) at such time and upon such terms as may be agreed upon by such Holder and the Debtors or the Reorganized Debtors, as the case may be; or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court; *provided* that Allowed General Administrative Claims that arise in the ordinary course of the Debtors' business during the Chapter 11 Cases shall be paid in full in Cash in the ordinary course of business in accordance with the terms and conditions of any controlling agreements, course of dealing, course of business, or industry practice.

2. Professional Claims

a. Final Fee Applications

All final requests for payment of Professional Fee Claims shall be filed no later than the first Business Day that is 45 days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Professional Fee Claims shall be determined by the Bankruptcy Court.

b. Professional Fee Escrow Account

On the Effective Date, the Reorganized Debtors shall establish and fund the Professional Fee Escrow Account with Cash equal to the Professional Fee Reserve Amount, which shall be funded by Reorganized HoldCo. The Professional Fee Escrow Account shall be maintained in trust solely for the Retained Professionals. Such funds shall not be considered property of the Estates of the Debtors or the Reorganized Debtors. No Liens, Claims, or Interests shall encumber the Professional Fee Escrow Account in any way. The amount of Professional Fee Claims owing to the Retained Professionals shall be paid in Cash to such Retained Professionals by the Reorganized Debtors from the Professional Fee Escrow Account as soon as reasonably practicable after such Professional Fee Claims are Allowed by a Final Order; *provided* that obligations with respect to Professional Fee Claims shall not be limited nor deemed limited to the balance of funds held in the Professional Fee Escrow Account. When all such Allowed amounts owing to Retained Professionals have been paid in full, any remaining amount in the Professional Fee Escrow Account shall promptly be paid to Reorganized HoldCo without any further action or order of the Bankruptcy Court.

c. Professional Fee Reserve Amount

To receive payment for unbilled fees and expenses incurred through the Effective Date, the Retained Professionals shall estimate their Accrued Professional Compensation prior to and as of the Effective Date and shall deliver such estimate to the Debtors on or before the Effective Date. If a Retained Professional does not provide

such estimate, the Reorganized Debtors may estimate the unbilled fees and expenses of such Retained Professional; *provided* that such estimate shall not be considered an admission or limitation with respect to the fees and expenses of such Retained Professional. The total amount so estimated as of the Effective Date shall comprise the Professional Fee Reserve Amount.

d. Post-Effective Date Fees and Expenses

Except as otherwise specifically provided in the Plan, on and after the Effective Date, the Reorganized Debtors, as applicable, shall pay in Cash the reasonable legal, professional, or other fees and expenses related to implementation of the Plan and Consummation incurred by such Debtor or Reorganized Debtor (as applicable) after the Effective Date in the ordinary course of business and without any further notice to or action, order or approval of the Bankruptcy Court. From and after the Effective Date, any requirement that Retained Professionals comply with sections 327 through 331, 363, and 1103 of the Bankruptcy Code or the Interim Compensation Order in seeking retention or compensation for services rendered after such date shall terminate, and each Debtor or Reorganized Debtor (as applicable) may employ and pay any Retained Professional in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court.

e. Substantial Contribution Compensation and Expenses

Except as otherwise specifically provided in the Plan, any Entity that requests compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code must file an application and serve such application on counsel for the Debtors or Reorganized Debtors, as applicable, and as otherwise required by the Bankruptcy Court, the Bankruptcy Code, and the Bankruptcy Rules on or before the Administrative Claims Bar Date.

3. Administrative Claims Bar Date

All requests for payment of an Administrative Claim (other than DIP Facilities Claims, Cure Costs, or Professional Fee Claims) that accrued on or before the Effective Date that were not otherwise accrued in the ordinary course of business must be filed with the Bankruptcy Court and served on the Debtors no later than the Administrative Claims Bar Date. If a Holder of an Administrative Claims (other than DIP Facilities Claims, Cure Costs, or Professional Fee Claims) that is required to, but does not, file and serve a request for payment of such Administrative Claim by the Administrative Claims Bar Date, such Holder shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors, their Estates, or the Reorganized Debtors, and such Administrative Claims shall be deemed compromised, settled, and released as of the Effective Date.

The Reorganized Debtors, in their sole and absolute discretion, may settle Administrative Claims in the ordinary course of business without further Bankruptcy Court approval. The Debtors or the Reorganized Debtors, as applicable, may also choose to object to any Administrative Claim no later than the Claims Objection Deadline, subject to extensions by the Bankruptcy Court, agreement in writing of the parties, or on motion of a party in interest approved by the Bankruptcy Court. Unless the Debtors or the Reorganized Debtors (or other party with standing) object to a timely-filed and properly served Administrative Claim, such Administrative Claim will be deemed Allowed in the amount requested. In the event that the Debtors or the Reorganized Debtors object to an Administrative Claim, the parties may confer to try to reach a settlement and, failing that, the Bankruptcy Court will determine whether such Administrative Claim should be allowed and, if so, in what amount.

B. DIP Facilities Claims

The DIP Facilities Claims shall be Allowed Claims in the full amount outstanding under the DIP Agreements, including principal, interest, fees, and expenses.

1. DIP ABL Facility Claims

Except to the extent that a Holder of an Allowed DIP ABL Facility Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release and discharge of each Allowed DIP ABL Facility Claim, on the Effective Date, each Holder of an Allowed DIP ABL Facility Claim will either: (a) be paid indefeasibly in full in Cash or (b) with the consent of such Holder, receive its Pro Rata share of the Exit ABL Facility. Upon the

payment or satisfaction of the Allowed DIP ABL Facility Claims in accordance with this Article II.B.1, all Liens and security interests granted to secure the Allowed DIP ABL Facility Claims shall be automatically terminated and of no further force and effect without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity. As used in this paragraph "paid indefeasibly in full in Cash" shall mean the indefeasible payment in full in cash of all DIP ABL Obligations (including all fees and expenses of the DIP ABL Agent through the Effective Date in accordance with the payoff letter), the cancellation, backing, or cash collateralization of letters of credit under the DIP ABL Facility in accordance with the terms of the DIP ABL Documents, the termination of the DIP ABL Agent's and DIP ABL Lenders' obligation to extend credit under the DIP ABL Facility, and the receipt by the DIP ABL Agent of a countersigned payoff letter in form and substance reasonably satisfactory to the DIP ABL Agent.

2. DIP Term Loan Facility Claims

Except to the extent that a Holder of an Allowed DIP Term Loan Facility Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release and discharge of each Allowed DIP Term Loan Facility Claim, on the Effective Date, each Holder of an Allowed DIP Term Loan Facility Claim will receive its Pro Rata share of: (a) on account of such Holder's aggregate principal amount of DIP Term Loan New Money Claim, the Exit Tranche A Term Loans; (b) on account of such Holder's aggregate principal amount of DIP Term Loan Roll-Up Claim, (i) the Exit Tranche B Term Loans and (ii) 75 percent of the New Equity (subject to dilution only by the New Equity issued in connection with the Management Incentive Plan and the GUC Rights); and (c) on account of such Holder's DIP Term Loan Interest Claim, (i) Cash equal to the amount of such Holders' DIP Term Loan Interest Claim or (ii) with the consent of the DIP Term Loan Agent and a majority of DIP Term Loan Lenders, Exit Tranche A Term Loans and/or Exit Tranche B Term Loans. Upon the payment or satisfaction of the Allowed DIP Term Loan Facility Claims in accordance with this Article II.B.2, all Liens and security interests granted to secure the Allowed DIP Term Loan Facility Claims shall be automatically terminated and of no further force and effect without any further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

C. Priority Tax Claims

Except to the extent that each 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 prior to the Effective Date shall receive, as soon as reasonably practicable after the Effective Date, on account of such Claim: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim; (2) Cash in an amount agreed to by the applicable Debtor or Reorganized Debtor, as applicable, and such Holder; *provided* that such parties may further agree for the payment of such Allowed Priority Tax Claim at a later date; or (3) at the option of the Debtors, Cash in an aggregate amount of such Allowed Priority Claim payable in installment payments over a period not more than five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code. To the extent any Allowed Priority Tax Claim is not due and owing on or before the Effective Date, such Claim shall be paid in full in Cash in accordance with the terms of any agreement between the Debtors and such Holder, or as may be due and payable under applicable non-bankruptcy law or in the ordinary course of business.

D. United States Trustee Statutory Fees

The Debtors and the Reorganized Debtors, as applicable, shall pay all United States Trustee quarterly fees under 28 U.S.C § 1930(a)(6), plus any interest due and payable under 31 U.S.C. § 3717 on all disbursements, including Plan payments and disbursements in and outside the ordinary course of the Debtors' or Reorganized Debtors' business (or such amount agreed to with the United States Trustee or ordered by the Bankruptcy Court), for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

Article III.

CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

A. Classification of Claims

This Plan constitutes a separate chapter 11 plan of reorganization for each Debtor. Except for the Claims addressed in Article II above (or as otherwise set forth herein), all Claims and Interests are placed in Classes for each of the Debtors. In accordance with section 1123(a)(1) of the Bankruptcy Code, the Debtors have not classified Administrative Claims, DIP Facilities Claims, and Priority Tax Claims, as described in Article II of this Plan.

The categories of Claims and Interests listed below classify Claims and Interests for all purposes, including voting, Confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Interest to be classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or an Interest is in a particular Class only to the extent that any such Claim or Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

Summary of Classification and Treatment of Claims and Interests

Class	Claim	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Presumed to Accept
2	Other Secured Claims	Unimpaired	Presumed to Accept
3	Prepetition Term Loan Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	~~[~~Entitled to Vote~~]~~
5	Intercompany Claims	Unimpaired / Impaired	Presumed to Accept / Deemed to Reject
6	Equity Interests in HoldCo	Impaired	Deemed to Reject
7	Intercompany Interests	Unimpaired	Presumed to Accept
8	Section 510(b) Claims	Impaired	Deemed to Reject

B. Treatment of Claims and Interests[2]

1. *Class 1 — Other Priority Claims*

   a. *Classification*: Class 1 consists of all Other Priority Claims.

   b. *Treatment*: Except to the extent that a Holder of an Allowed Other Priority Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Other Priority Claim, each Holder of such Allowed Other Priority Claim shall be paid in full in Cash on or as reasonably practicable after (i) the Effective Date, (ii) the date on which such Other Priority Claim becomes an Allowed Other Priority Claim, or (iii) such other date as may be ordered by the Bankruptcy Court.

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

2. *Class 2 — Other Secured Claims*

   a. *Classification*: Class 2 consists of all Other Secured Claims.

[2] Allowed Claim amounts referenced in this section are subject to adjustment to reflect any changes to the outstanding principal amounts prior to the Effective Date.

b. *Treatment*: 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, release, and discharge of each Other Secured Claim, on or as reasonably practicable after the Effective Date, each Holder of an Allowed Other Secured Claim, at the option of the applicable Debtor with the consent of the Requisite First Lien Lenders, shall (i) be paid in full in Cash including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code, (ii) receive the collateral securing its Allowed Other Secured Claim, (iii) receive Reinstatement of such Other Secured Claim, or (iv) other treatment rendering such claim Unimpaired.

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

3. *Class 3 —Prepetition Term Loan Claims*

a. *Classification*: Class 3 consists of Prepetition Term Loan Claims.

b. *Allowance*: On the Effective Date, subject to entry of the Final DIP Order approving the DIP Term Loan Roll-up Claims, the Prepetition Term Loan Claims shall be deemed Allowed in the aggregate principal amount of $90,068,705.10, plus all interest (including any payment-in-kind interest), fees, and other expenses payable under the Prepetition Term Loan Agreement related to the Prepetition Term Loan Facility.

c. *Treatment*: Except to the extent that a Holder of an Allowed Prepetition Term Loan Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of each Prepetition Term Loan Claim, on or as reasonably practicable after the Effective Date, each Holder of an Allowed Prepetition Term Loan Claim shall receive, up to the Allowed amount of its Prepetition Term Loan Claim, its Pro Rata share of 25 percent of the New Equity (subject to dilution only by the New Equity issued in connection with the Management Incentive Plan and the GUC Rights).

d. *Voting*: Class 3 is Impaired and Holders of Class 3 Prepetition Term Loan Claims are entitled to vote to accept or reject the Plan.

4. *Class 4 — General Unsecured Claims*

a. *Classification*: Class 4 consists of all General Unsecured Claims.

b. *Treatment*: Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment of its Allowed Claim, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, on or as reasonably practicable after the Effective Date, each Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive its Pro Rata share of the GUC Rights.

c. *Voting*: Class 4 is Impaired and Holders of Class 4 General Unsecured Claims are entitled to vote to accept or reject the Plan.

5. *Class 5 — Intercompany Claims*

a. *Classification*: Class 5 consists of all Intercompany Claims.

b. *Treatment*: Intercompany Claims shall be, at the option of the applicable Debtor with the consent of the Requisite First Lien Lenders, either: (i) Reinstated; or (ii) canceled and released without any distribution on account of such Claims.

c. *Voting*: Holders of Claims in Class 5 are conclusively deemed to have accepted or rejected the Plan pursuant to section 1126(f) or section 1126(g) of the Bankruptcy Code, respectively. Therefore, Holders of Class 5 Intercompany Claims are not entitled to vote to accept or reject the Plan.

6. *Class 6 — Equity Interests in HoldCo*

a. *Classification*: Class 6 consists of all Equity Interests in HoldCo.

b. *Treatment*: On the Effective Date, all Equity Interests in HoldCo shall be cancelled without any distribution on account of such Equity Interests.

c. *Voting*: Class 6 is Impaired and Holders of Class 6 Equity Interests in HoldCo are conclusively presumed to have rejected the Plan. Therefore, Holders of Class 6 Equity Interests in HoldCo are not entitled to vote to accept or reject the Plan.

7. *Class 7 — Intercompany Interests*

a. *Classification*: Class 7 consists of all Intercompany Interests.

b. *Treatment*: On the Effective Date, Intercompany Interests shall be Reinstated and the legal, equitable and contractual rights to which Holders of Intercompany Interests are entitled shall remain unaltered to the extent necessary to implement the Plan.

c. *Voting*: Class 7 is Unimpaired and Holders of Class 7 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 7 Intercompany Interests are not entitled to vote to accept or reject the Plan.

8. *Class 8 — Section 510(b) Claims*

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

b. *Allowance*: Notwithstanding anything in the Plan to the contrary, a Class 8 Claim (if existing) may only become Allowed by Final Order of the Bankruptcy Court. The Debtors are not aware of any asserted Class 8 Claim and believe no Class 8 Claim exists.

c. *Treatment*: Except to the extent that a Holder of an Allowed Section 510(b) Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release, and discharge of its Section 510(b) Claims, each Holder of an Allowed Section 510(b) Claim shall be treated as if such Holder was a Holder of Allowed Equity Interests in HoldCo.

d. *Voting*: Class 8 is Impaired and Holders (if any) of Allowed Class 8 Section 510(b) Claims are conclusively presumed to have rejected the Plan. Therefore, Holders (if any) of Class 8 Section 510(b) Claims are not entitled to vote to accept or reject the Plan.

C. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' or the Reorganized Debtors' rights in respect of any Unimpaired Claim, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claim.

D. Acceptance or Rejection of the Plan

1. Presumed Acceptance of Plan

Holders of Claims in Classes 1 and 2 and Interests in Class 7 are Unimpaired under the Plan and are, therefore, conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code.

2. Voting Classes

Each Holder of an Allowed Claim in Classes 3 and 4 shall be entitled to vote to accept or reject the Plan.

3. Deemed Rejection of the Plan

Holders of Interests in Class 6 and Holders of Claims in Class 8 are Impaired and shall receive no distributions under the Plan on account of their Interests or Claims (as applicable) and are, therefore, deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Interests in Class 6 and Holders of Claims in Class 8 are not entitled to vote on the Plan and the votes of such Holders shall not be solicited.

4. Controversy Concerning Impairment

If a controversy arises as to whether any Claims or Interests, or any Class thereof, is Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

E. Nonconsensual Confirmation

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

F. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests, and the respective distributions and treatments under the Plan, shall take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise, including the Intercreditor Agreement. Pursuant to section 510 of the Bankruptcy Code, except where otherwise provided herein, the Reorganized Debtors (with the consent of (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners) reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination rights relating thereto.

G. Elimination of Vacant Classes

Any Class of Claims that is not occupied as of the date of commencement of the Confirmation Hearing by the Holder of an Allowed Claim or a Claim temporarily Allowed under Bankruptcy Rule 3018 (*i.e.*, no Ballots are cast in a Class entitled to vote on the Plan) shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptances or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

H. Intercompany Interests

To the extent Reinstated under the Plan, distributions on account of Intercompany Interests are not being received by Holders of such Intercompany Interests on account of their Intercompany Interests but for the purposes of administrative convenience and due to the importance of maintaining the corporate structure given the various foreign affiliate-subsidiaries of the Debtors, for the ultimate benefit of the Holders of New Equity, and in exchange for the Debtors' and Reorganized Debtors' agreement under the Plan to make certain distributions to the Holders of Allowed Claims.

Article IV.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. General Settlement of Claims

As discussed further in the Disclosure Statement and as otherwise provided herein, 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, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of Claims and Equity Interests and controversies resolved pursuant to the Plan. Distributions made to Holders of Allowed Claims in any Class are intended to be final.

B. Restructuring Transactions

1. Restructuring Transactions

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may, with the consent of the Requisite First Lien Lenders (with respect to actions taken on the Effective Date), take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the Plan, including: (a) the execution and delivery of appropriate agreements or other documents of merger, consolidation, or reorganization containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any property, right, liability, duty, or obligation on terms consistent with the terms of the Plan; (c) the filing of appropriate certificates of incorporation, merger, or consolidation with the appropriate governmental authorities pursuant to applicable law; (d) all transactions necessary to provide for the purchase of substantially all of the assets or Interests of any of the Debtors by one or more Entities to be wholly owned by Reorganized Holdco, which purchase may be structured as a taxable transaction for United States federal income tax purposes; and (e) all other actions that the Reorganized Debtors determine, in consultation with the Requisite First Lien Lenders (with respect to actions taken on the Effective Date), are necessary or appropriate.

The Confirmation Order shall and shall be deemed to, pursuant to both section 1123 and section 363 of the Bankruptcy Code, authorize, among other things, all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan. Notwithstanding anything to the contrary in this Article IV.B.1, any Executory Contracts and Unexpired Leases that the Debtors or Reorganized Debtors assume shall be assumed in accordance with Article V of the Plan.

2. Exit Facilities

On the Effective Date, (a) contemporaneously with termination of the DIP ABL Facility and the satisfaction of the DIP ABL Claims in accordance with Article II.B.1 of this Plan, Reorganized HoldCo will enter into the Exit ABL Facility as provided in the Exit ABL Documentation and (b) contemporaneously with termination of the DIP Term Loan Facility and the satisfaction of the DIP Term Loan Claims in accordance with Article II.B.2 of this Plan, Reorganized HoldCo will enter into the Exit Term Loan Facility as provided in the Exit Term Loan Documentation. Confirmation of the Plan shall be deemed approval of the Exit Facilities and the Exit Facility Documents, and all transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein, and authorization of the Reorganized Debtors to enter into and execute the Exit Facility Documents and such other documents as may be required to effectuate the Exit Facilities. Prior to the Effective Date, the Debtors will use reasonable efforts to obtain a private rating for the Exit Term Loan Facility.

3. New Equity and GUC Rights

On the Effective Date, upon cancellation of the Equity Interests in HoldCo, Reorganized HoldCo will issue the New Equity, including the GUC Rights, to Holders of Claims and Interests to the extent provided in the Plan.

4. Key Go-Forward Creditor Program

On the Effective Date, the Debtors shall fund the Key Go-Forward Creditor Program with the Plan Reimbursement and, as soon as reasonably practicable thereafter, apply such funds in accordance with the Key Go-Forward Creditor Agreements.

C. Corporate Existence

Except as otherwise provided in the Plan, each Debtor shall continue to exist as of the Effective Date as a separate corporate Entity, limited liability company, partnership, or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership, or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to the Plan and require no further action or approval. After the Effective Date, one or more of the Reorganized Debtors may be disposed of, wound down, or liquidated in accordance with applicable law without any further court or corporate action, including the filing of any documents with the Secretary of State for any state in which such subsidiary is incorporated or any other jurisdiction.

D. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan or any agreement, instrument, or other document incorporated herein, on the Effective Date, all property in each Estate, all Causes of Action, and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges, or other encumbrances; *provided* that, in accordance with Article IV.P of this Plan, on the Effective Date, the Debtors and the Reorganized Debtors shall forever waive, relinquish, and release any and all Causes of Action the Debtors and their Estates had, have, or may have had that arise under section 547 of the Bankruptcy Code against any Entity that is being rendered Unimpaired under the Plan and any Entity with whom the Debtors are conducting and will continue to conduct business on and after the Effective Date. On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

E. Indemnification Provisions in Organizational Documents

As of the Effective Date, each Reorganized Debtor's bylaws shall, to the fullest extent permitted by applicable law, provide for the indemnification, defense, reimbursement, exculpation, and/or limitation of liability of, and advancement of fees and expenses to, current and former managers, directors, officers, employees, or agents at least to the same extent as the certificate of incorporation, bylaws, or similar organizational document of each of the respective Debtors on the Petition Date, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, fixed, or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, asserted or unasserted. None of the Reorganized Debtors shall amend and/or restate its certificate of incorporation, bylaws, or similar organizational document after the Effective Date to terminate or materially adversely affect (a) any of the Reorganized Debtors' obligations referred to in the immediately preceding sentence or (b) the rights of such managers, directors, officers, employees, or agents referred to in the immediately preceding sentence; *provided* that the Reorganized Debtors shall not indemnify directors of the Debtors for any claims or Causes of Action arising out of, or relating to, any act or omission that is a criminal act or constitutes gross negligence or intentional fraud.

F. Cancellation of Agreements and Equity Interests

On the later of the Effective Date and the date on which distributions are made pursuant to the Plan (if not made on the Effective Date), except as otherwise specifically provided for in the Plan: (a) subject to the satisfaction of the DIP Claims in accordance with Article II.B of this Plan, the obligations of the Debtors under the Prepetition ABL Agreement, the Prepetition Term Loan Agreement, and any other certificate, equity security, share, note, bond, indenture, purchase right, option, warrant, or other instrument or document directly or indirectly evidencing or

creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Equity Interest (except such certificates, notes or other instruments or documents evidencing indebtedness or obligation of or ownership interest in the Debtors that are reinstated pursuant to the Plan), shall be cancelled solely as to the Debtors and their Affiliates, and the Reorganized Debtors, the DIP Agents, the Prepetition ABL Agent, and the Prepetition Term Loan Agent shall not have any continuing obligations thereunder; and (b) the obligations of the Debtors and their Affiliates pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, indentures, purchase rights, options, or other instruments or documents evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors (except such agreements, certificates, notes or other instruments evidencing indebtedness or obligation of or ownership interest in the Debtors that are specifically reinstated or entered into pursuant to the Plan) shall be released and discharged; except that:

1. Until the satisfaction of the DIP Claims in accordance with Article II.B of this Plan, the DIP Facilities shall continue in effect solely for the purpose of: (a) allowing the DIP Agents to receive distributions from the Debtors under the Plan and to make further distributions to the Holders of the DIP Facilities Claims on account of such Claims, as set forth in Article VI of this Plan; (b) preserving the DIP Agents' and the DIP Lenders' right to all amounts due under the DIP Agreements or DIP Orders; and (c) preserving the DIP Agents' and the DIP Lenders' right to indemnification from the Debtors pursuant and subject to the terms of the DIP Facilities; *provided* that any Claim or right to payment on account of such indemnification shall be an Administrative Claim regardless of whether such Claim or right to payment was filed by the Administrative Claim Bar Date;

2. the Prepetition Term Loan Agreement shall continue in effect solely for the purpose of: (a) allowing the Prepetition Term Loan Agent to receive distributions from the Debtors under the Plan and to make further distributions to the Holders of Allowed Claims in Class 3 on account of such Claims, as set forth in Article VI of this Plan; (b) preserving the Prepetition Term Loan Agent's right to payment of its fees and expenses, and allowing the Prepetition Term Loan Agent to exercise its charging lien for the payment of its fees and expenses and for indemnification, pursuant to the terms of the Prepetition Term Loan Agreement; and (c) preserving the right of the Prepetition Term Loan Agent to indemnification from the Debtors pursuant and subject to the terms of the Prepetition Term Loan Agreement;

3. Until the expiration of the Challenge Period and the indefeasible conversion in full of Prepetition ABL Claims into DIP ABL Claims pursuant to the Interim DIP Order, the Prepetition ABL Agreement shall continue in effect solely for the purpose of: (a) preserving the Prepetition ABL Agent's right to payment of its fees and expenses, and allowing the Prepetition ABL Agent to exercise its charging lien for the payment of its fees and expenses and for indemnification, pursuant to the terms of the Prepetition ABL Agreement; and (b) preserving the right of the Prepetition ABL Agent to indemnification from the Debtors pursuant and subject to the terms of the Prepetition ABL Agreement;

4. the foregoing provisos shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order, or the Plan or result in any expense or liability to the Reorganized Debtors, except to the extent set forth in or provided for under the Plan; and

5. nothing in this Article IV.F shall effect a cancellation of any New Equity, Intercompany Interests, or Intercompany Claims.

Notwithstanding the anything to the contrary in this Plan, the Owners are party to, and have rights and obligations under, the Plan Support Agreement; *provided* that any of the Owners may object to the Plan solely to the extent that the Plan adversely impacts such Owner's ability to utilize its worthless stock deduction prior to the Effective Date without breaching such Plan Support Agreement.

G. Sources for Plan Distributions and Transfers of Funds Among Debtors

The Debtors shall fund distributions under the Plan, with (a) Cash on hand, including cash from operations and the proceeds of the DIP Facilities, (b) the proceeds of the Exit Facilities, and (c) the New Equity, including the GUC Rights. Cash payments to be made pursuant to the Plan will be made by the Reorganized Debtors. The Reorganized Debtors will be entitled to transfer funds between and among themselves as they determine to be necessary or appropriate to enable the Reorganized Debtors to satisfy their obligations under the Plan. Except as set forth herein, any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the Debtors' historical intercompany account settlement practices and will not violate the terms of the Plan.

From and after the Effective Date, the Reorganized Debtors, subject to any applicable limitations set forth in any post-Effective Date agreement (including the Exit ABL Documentation, the Exit Term Loan Documentation, and the New Organizational Documents), shall have the right and authority without further order of the Bankruptcy Court to raise additional capital and obtain additional financing as the boards of directors of the applicable Reorganized Debtors deem appropriate.

H. Exit Facilities and Approval of Exit Facilities Documentation

Confirmation of the Plan shall be deemed to constitute approval of the Exit Facilities and the Exit Facilities Documentation (including all transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Facilities, and all actions to be taken, undertakings to be made and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities and expenses provided for therein) and, subject to the occurrence of the Effective Date, authorization for the Reorganized Debtors to enter into and perform their obligations under the Exit Facilities Documentation and such other documents as may be reasonably required or appropriate, in each case, in accordance with the Exit Facilities Documentation.

On the Effective Date, the Exit Facilities Documentation shall constitute legal, valid, binding, and authorized obligations of the Reorganized Debtors, enforceable in accordance with their terms. The financial accommodations to be extended pursuant to the Exit Facilities Documentation are being extended, and shall be deemed to have been extended, in good faith, for legitimate business purposes, are reasonable, shall not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever, and shall not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any other applicable non-bankruptcy law. On the later of (i) the Effective Date and (ii) satisfaction of the DIP Claims in accordance with Article II.B of this Plan, all of the Liens and security interests to be granted in accordance with the Exit Facilities Documentation (a) shall be legal, binding, and enforceable Liens on, and security interests in, the collateral granted thereunder in accordance with the terms of the Exit Facilities Documentation, (b) shall be deemed automatically perfected on the Effective Date, subject only to such Liens and security interests as may be permitted under the Exit Facilities Documentation, and (c) shall not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever and shall not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any applicable non-bankruptcy law. The Reorganized Debtors and the Entities granted such Liens and security interests are authorized to make all filings and recordings, and to obtain all governmental approvals and consents necessary to establish and perfect such Liens and security interests under the provisions of the applicable state, provincial, federal, or other law (whether domestic or foreign) that would be applicable in the absence of the Plan and the Confirmation Order (it being understood that perfection shall occur automatically by virtue of the entry of the Confirmation Order, and any such filings, recordings, approvals, and consents shall not be required), and will thereafter cooperate to make all other filings and recordings that otherwise would be necessary under applicable law to give notice of such Liens and security interests to third parties.

I. Reorganized Debtors' Equity Interests

1. <u>New Equity</u>

On the Effective Date, Reorganized HoldCo shall issue or reserve for issuance all of the New Equity issued or issuable in accordance with the terms herein, subject to dilution on the terms described herein. The issuance of the New Equity by Reorganized HoldCo for distribution pursuant to the Plan, including the issuance and exercise

of the GUC Rights issued under the Plan, is authorized without the need for further corporate action and all of the shares of New Equity issued or issuable pursuant to the Plan shall be duly authorized, validly issued, fully paid, and non-assessable. Other than as contemplated through the issuance of the New Equity and the GUC Rights pursuant to this Plan, there shall exist on the Effective Date no other equity securities, warrants, options, or other agreements to acquire any equity interest in Reorganized HoldCo.

2. Stockholders Agreement

On the Effective Date, Reorganized HoldCo and the Holders Allowed Prepetition Term Loan Claims and Allowed DIP Term Loan Facility Claims may enter into the Stockholders Agreement with respect to the New Equity in substantially the form included in the Plan Supplement. The Stockholders Agreement, if any, shall be deemed to be valid, binding, and enforceable in accordance with its terms, and each holder of New Equity shall be bound thereby, in each case without the need for execution by any party thereto other than Reorganized HoldCo.

J. Listing of New Equity

On the Effective Date, none of the New Equity will be listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Securities Exchange Act, the Reorganized Debtors shall not be required to and will not file reports with the SEC or any other governmental entity, and the Reorganized Debtors shall not be required to file monthly operating reports, or any other type of report (other than those described in Article XII.C of this Plan), with the Bankruptcy Court after the Effective Date. To prevent the Reorganized Debtors from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, the New Organizational Documents may impose certain trading restrictions, and the New Equity will be subject to certain transfer and other restrictions pursuant to the New Organizational Documents designed to maintain the Reorganized Debtors as private, non-reporting companies.

K. Exemption from Registration Requirements

The offering, issuance, and distribution of any Securities, including the New Equity, pursuant to the Plan, and any and all settlement agreements incorporated herein, shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act to the maximum extent permitted thereunder pursuant to section 1145 of the Bankruptcy Code, section 4(a)(2) of the Securities Act, or any other available exemption from registration under the Securities Act, as applicable, and the Confirmation Order shall so provide. Except as otherwise provided in the Plan or the governing certificates or instruments, any and all New Equity issued under the Plan pursuant to section 1145 of the Bankruptcy Code will be freely tradable under the Securities Act by the recipients thereof, subject to: (a) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with any applicable state or foreign securities laws, if any, and any rules and regulations of the SEC, if any, applicable at the time of any future transfer of such Securities or instruments, including any such restrictions in the Stockholders Agreement, if any; (b) the restrictions, if any, on the transferability of such Securities and instruments; and (c) any other applicable regulatory approval. [Pursuant to section 4(a)(2) of the Securities Act, the New Equity issued upon exercise of the GUC Rights issued under the Plan will be exempt from, among other things, the registration requirements of section 5 of the Securities Act to the maximum extent permitted thereunder and any other applicable state or foreign securities laws requiring registration prior to the offering, issuance, distribution, or sale of Securities. Any and all New Equity issued upon exercise of the GUC Rights, in each case, offered, issued, or distributed under the Plan shall be deemed "restricted securities" that may not be offered, sold, exchanged, assigned, or otherwise transferred unless they are registered under the Securities Act, or an exemption from registration under the Securities Act is available, and in compliance with any applicable state or foreign securities laws.]

L. Organizational Documents

Subject to Article IV.E of this Plan, the Reorganized Debtors shall enter into such agreements and amend their corporate governance documents to the extent necessary to implement the terms and provisions of the Plan, which shall be in form and substance reasonably satisfactory to (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners. Without limiting the generality of the foregoing, as of the Effective Date, Reorganized HoldCo shall be governed by the Certificate of Incorporation and the Bylaws. The New Organizational Documents will comply with section

1123(a)(6) of the Bankruptcy Code. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Organizational Documents and other constituent documents as permitted by the laws of their respective state of incorporation and their respective New Organizational Documents.

M. Exemption from Certain Transfer Taxes and Recording Fees

To the fullest extent permitted by section 1146(a) of the Bankruptcy Code, any transfer from a Debtor to a Reorganized Debtor or to any Entity pursuant to, in contemplation of, or in connection with the Plan or pursuant to: (1) the issuance, distribution, transfer, or exchange of any debt, securities, or other interest in the Debtors or the Reorganized Debtors; (2) the creation, modification, consolidation, or recording of any mortgage, deed of trust or other security interest, or the securing of additional indebtedness by such or other means; (3) the making, assignment, or recording of any lease or sublease; or (4) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, 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, regulatory 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.

N. Directors and Officers of the Reorganized Debtors

The New Board will initially consist of directors who will be designated in accordance with the terms of the Plan Support Agreement. To the extent known, the identity of the members of the New Board will be disclosed in the Plan Supplement or prior to the Confirmation Hearing. Except to the extent that a member of the board of directors of a Debtor continues to serve as a director of such Reorganized Debtor on the Effective Date, the members of the board of directors of each Debtor prior to the Effective Date, in their capacities as such, shall have no continuing obligations to the Reorganized Debtors on or after the Effective Date and each such director will be deemed to have resigned or shall otherwise cease to be a director of the applicable Debtor on the Effective Date. Commencing on the Effective Date, each of the directors and officers of each of the Reorganized Debtors shall serve pursuant to the terms of the applicable New Organizational Documents of such Reorganized Debtor and may be replaced or removed in accordance with such New Organizational Documents; *provided* that, on the Effective Date, the Reorganized Debtors shall enter into the New Employment Agreements.

O. Directors and Officers Insurance Policies

Notwithstanding anything in the Plan to the contrary, the Reorganized Debtors shall be deemed to have assumed all of the Debtors' D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code effective as of the Effective Date. Entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Reorganized Debtors' foregoing assumption of each of the unexpired D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained in the Plan, confirmation of the Plan shall not discharge, impair, or otherwise modify any indemnity obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such indemnity obligation will be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be filed.

In addition, after the Effective Date, the Reorganized Debtors (a) shall not terminate or otherwise reduce the coverage under any D&O Liability Insurance Policies (including any "tail policy") in effect on the Petition Date with respect to conduct occurring prior thereto and (b) shall use reasonable efforts to continue to maintain in effect D&O Liability Insurance Policies for a period of at least six years after the Effective Date, and all directors and officers of the Debtors who served in such capacity at any time prior to the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such directors and officers remain in such positions after the Effective Date.

P. Preservation of Rights of Action

In accordance with section 1123(b) of the Bankruptcy Code, but subject to the releases set forth in Article IX below, all Causes of Action that a Debtor may hold against any Entity shall vest in the applicable Reorganized Debtor on the Effective Date. Thereafter, the Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action, whether arising before or after the Petition Date, and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any specific Cause of Action as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action. The Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan,** and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to any Cause of Action upon, after, or as a consequence of the Confirmation or the occurrence of the Effective Date.

Notwithstanding any provision in this Plan or any Order entered in these chapter 11 cases, the Debtors and Reorganized Debtors forever waive, relinquish, and release any and all Causes of Action the Debtors and their estates had, have, or may have that (a) arise under sections 544, 547, 548 and 549 of the Bankruptcy Code against any Entity that is being rendered Unimpaired under the Plan and any Entity with whom the Debtors are conducting and will continue to conduct business on and after the Effective Date and (b) arise under section 547 of the Bankruptcy Code against any Entity with which the Debtors were conducting business as of the Petition Date.

Q. Corporate Action

Subject to the Plan Support Agreement, upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Interests, directors, managers, or officers of the Debtors, the Reorganized Debtors, or any other Entity, including: (a) rejection or assumption, as applicable, of Executory Contracts and Unexpired Leases; (b) selection of the directors, managers, and officers for the Reorganized Debtors; (c) the execution of and entry into the Exit ABL Documentation, the Exit Term Loan Documentation, and the New Organizational Documents; (d) the issuance and distribution of the New Equity and GUC Rights as provided herein; and (e) all other acts or actions contemplated, or reasonably necessary or appropriate to promptly consummate the transactions contemplated by the Plan (whether to occur before, on, or after the Effective Date). All matters provided for in the Plan involving the company structure of the Debtors, and any company action required by the Debtors in connection therewith, shall be deemed to have occurred on, and shall be in effect as of, the Effective Date, without any requirement of further action by the security holders, directors, managers, authorized persons, or officers of the Debtors.

On or (as applicable) prior to the Effective Date, the appropriate officers, directors, managers, or authorized persons of the Debtors (including any president, vice-president, chief executive officer, treasurer, general counsel, or chief financial officer thereof) shall be authorized and directed to issue, execute and deliver the agreements, documents, securities, certificates of incorporation, certificates of formation, bylaws, operating agreements, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Debtors including (a) the Exit ABL Documentation, the Exit Term Loan Documentation, and the New Organizational Documents and (b) any and all other agreements, documents, securities, and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV.Q shall be effective notwithstanding any requirements under non-bankruptcy law.

R. Effectuating Documents; Further Transactions

Prior to, on, and after the Effective Date, the Debtors and Reorganized Debtors and the directors, managers, officers, authorized persons, and members of the boards of directors or managers and directors thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and provisions of the Plan, the Exit ABL Documentation, the Exit Term Loan

Documentation, the New Organizational Documents, and any securities issued pursuant to the Plan in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorizations, actions, or consents except for those expressly required pursuant to the Plan or the Plan Support Agreement.

S. Management Incentive Plan

On or as soon as reasonably practicable following the Effective Date, the Reorganized Debtors will implement the Management Incentive Plan. For the avoidance of doubt, in no event are the Debtors seeking nor is the Court approving any management incentive plan or other executive compensation plan under Section 503(c) of the Bankruptcy Code.

Article V.

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; EMPLOYEE BENEFITS; AND INSURANCE POLICIES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, except as otherwise provided herein, each of the Debtors' Executory Contracts and Unexpired Leases not previously assumed, assumed and assigned, or rejected pursuant to an order of the Bankruptcy Court will be deemed assumed by the Reorganized Debtors as of the Effective Date in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code ***except*** any Executory Contract or Unexpired Lease (a) identified on the Rejected Executory Contract/Unexpired Lease List (which shall be filed with the Bankruptcy Court on or before the Plan Supplement Filing Date) as an Executory Contract or Unexpired Lease designated for rejection, (b) that is the subject of a separate motion or notice to reject (including a motion or notice pursuant to which the requested effective date of such rejection is after the Effective Date) filed by the Debtors, with the consent of the Requisite First Lien Lenders pursuant to the Plan Support Agreement, and pending as of the Confirmation Hearing, (c) that has been previously rejected pursuant to a Bankruptcy Court order or the Rejection Procedures, or (d) that previously expired or terminated pursuant to its own terms.

Entry of the Confirmation Order by the Bankruptcy Court shall constitute an order approving the assumptions, assumptions and assignments, or rejections of such Executory Contracts and Unexpired Leases as set forth in the Plan, all pursuant to sections 365(a) and 1123 of the Bankruptcy Code and effective on the occurrence of the Effective Date. Each Executory Contract and Unexpired Lease assumed pursuant to the Plan or a Bankruptcy Court order and not assigned to a third party on or prior to the Effective Date, shall re-vest in and be fully enforceable by the applicable contracting Reorganized Debtor in accordance with its terms, except as such terms may have been validly modified by order of the Bankruptcy Court and notwithstanding, to the maximum extent permitted by law, any provision in any such assumed Executory Contract or Unexpired Lease that restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the assumption of such Executory Contract or Unexpired Lease (including any "change of control" provision), and, therefore, consummation of the transactions contemplated by the Plan shall not entitle the non-Debtor party thereto to terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights with respect thereto. Notwithstanding anything to the contrary in the Plan, the Debtors (with the consent of the Requisite First Lien Lenders pursuant to the Plan Support Agreement) reserve the right to alter, amend, modify, or supplement the Executory Contracts and Unexpired Leases identified on the Assumed Executory Contract/Unexpired Lease List and the Rejected Executory Contract/Unexpired Lease List prior to the Effective Date on notice to the non-Debtor Entities affected by such alteration, amendment, modification, or supplement (and upon such Entities' counsel, if known) to be filed and served no less than (i) three Business Days prior to the effective date of the rejection of the affected Executory Contracts and Unexpired Leases or (ii) fourteen days prior to the effective date of the assumption of the affected Executory Contracts and Unexpired Leases; *provided* that, solely with respect to Unexpired Leases of nonresidential real property, the Debtors shall not alter, amend, modify, or supplement the Assumed Executory Contract/Unexpired Lease List and the Rejected Executory Contract/Unexpired Lease List after the Confirmation Date unless the affected non-Debtor Entity party to such Unexpired Lease either (a) consents or (b) attempts to prosecute an untimely objection to the assumption of such Unexpired Lease or related Cure Cost.

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

Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed or assumed and assigned pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure Cost in Cash on the Effective Date, subject to the limitation described in the following paragraph, or on such other terms as the parties to such Executory Contract or Unexpired Lease may otherwise agree. No later than March 5, 2018, to the extent not previously filed with the Bankruptcy Court and served on affected counterparties, the Debtors shall provide for notices of proposed assumption and proposed Cure Cost (and, to the extent the Debtors seek to assume and assign an Unexpired Lease pursuant to the Plan, the Debtors will identify the assignee and provide adequate assurance of future performance by such assignee within the meaning of section 365 of the Bankruptcy Code) to be filed and served upon applicable contract and lease counterparties (and upon such Entities' counsel, if known), together with procedures for objecting thereto and resolution of disputes by the Bankruptcy Court. Any objection by a contract or lease counterparty to a proposed ~~assumption, assumption and assignment, or related~~ Cure Cost must be filed, served, and actually received by the Debtors before the objection deadline provided in the notice of proposed assumption and Cure Cost, which deadline shall be (i) with respect to Unexpired Leases of nonresidential real property, no less than 14 days after the date on which the applicable notice of proposed assumption and proposed Cure Cost is filed and served or (ii) with respect to all Executory Contracts and Unexpired Leases, other than Unexpired Leases of nonresidential real property, no less than 7 days after the date on which the applicable notice of proposed assumption and proposed Cure Cost is filed and served. Any objection by a contract or lease counterparty to a proposed assumption, assumption and assignment, or adequate assurance (other than with respect to a proposed Cure Cost) must be filed, served, and actually received by the Debtors before the Plan Objection Deadline.

Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or Cure Cost will be deemed to have assented to such assumption or Cure Cost. Any objection to a proposed assumption, assumption and assignment, or Cure Cost will be scheduled to be heard by the Bankruptcy Court at the Reorganized Debtors' first scheduled omnibus hearing after which such objection is timely filed. In the event of a dispute regarding (1) the amount of any Cure Cost, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" within the meaning of section 365(b) of the Bankruptcy Code, if applicable, under the Executory Contract or the Unexpired Lease to be assumed or assumed and assigned, and/or (3) any other matter pertaining to assumption and/or assignment, then such Cure Costs shall be paid following the entry of a Final Order resolving the dispute and approving the assumption and assignment of such Executory Contracts or Unexpired Leases or as may be agreed upon by the Debtors or the Reorganized Debtors and the counterparty to such Executory Contract or Unexpired Lease; *provided* that the Debtors (with the consent of the Requisite First Lien Lenders) may settle any dispute regarding the amount of any Cure Cost without any further notice to any party or any action, order, or approval of the Bankruptcy Court; *provided*, *further*, that notwithstanding anything to the contrary herein, the Debtors (with the consent of the Requisite First Lien Lenders pursuant to the Plan Support Agreement) reserve the right to reject, or nullify the assumption of, any Executory Contract or Unexpired Lease within 25 days after the entry of a Final Order resolving an objection to assumption or assumption and assignment, determining the Cure Cost under an Executory Contract or Unexpired Lease that was subject to a dispute, or resolving any request for adequate assurance of future performance required to assume such Executory Contract or Unexpired Lease.

Assumption or assumption and assignment of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise, and the payment of the Cure Cost, shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption or assumption and assignment. Any Proofs of Claim filed with respect to an Executory Contract or Unexpired Lease that has been assumed or assumed and assigned, and the Cure Cost paid, shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court. Notwithstanding the foregoing, the Debtors and the Reorganized Debtors will continue to honor all postpetition and post-Effective Date obligations under any assumed Executory Contracts and Unexpired Leases in accordance with their terms, regardless of whether such obligations are listed as a Cure Cost, and whether such obligations accrued prior to or after the Effective Date, and neither the payment of cure nor entry of the Confirmation Order shall be deemed to release the Debtors or the Reorganized Debtors from such obligations.

C. Claims Based on Rejection of Executory Contracts and Unexpired Leases

Unless otherwise provided by a Bankruptcy Court order, any Proofs of Claim asserting Claims arising from the rejection or repudiation of the Debtors' Executory Contracts and Unexpired Leases pursuant to the Plan or otherwise must be filed with the Notice and Claims Agent within thirty (30) days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. **Any Proofs of Claim arising from the rejection or repudiation of the Debtors' Executory Contracts and Unexpired Leases that are not timely filed shall be deemed disallowed.** All Allowed Claims arising from the rejection of the Debtors' Executory Contracts and Unexpired Leases shall constitute General Unsecured Claims and shall be treated in accordance with Article III.B.4 of this Plan.

D. Contracts and Leases Entered into After the Petition Date

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any Assumed Executory Contracts and Unexpired Leases) that have not been rejected as of the Confirmation Date will survive and remain unaffected by entry of the Confirmation Order.

E. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, nor the Debtors' delivery of a notice of proposed assumption and proposed cure amount to applicable contract and lease counterparties, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or Reorganized Debtors, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

F. Indemnification and Reimbursement Obligations

On and from the Effective Date, and except as prohibited by applicable law or subject to the limitations set forth herein, the Reorganized Debtors shall assume all indemnification obligations currently in place, whether in the bylaws, certificates of incorporation (or other formation documents), board resolutions, employment contracts (if assumed) or other agreements for the directors, officers, managers, and employees serving before or after the Petition Date and the attorneys, other professionals, and agents, in each case employed by the Debtors in such capacity as of the Effective Date.

G. Employee Compensation and Benefits

1. Compensation and Benefit Programs

Subject to the provisions of the Plan, all Compensation and Benefits Programs shall be treated as Executory Contracts under the Plan and deemed assumed on the Effective Date pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, except for:

a. all employee equity or equity-based incentive plans, and any provisions set forth in the Compensation and Benefits Program that provide for rights to acquire Equity Interests in any of the Debtors;

b. Compensation and Benefits Programs listed in the Plan Supplement as executory contracts to be rejected;

c. Compensation and Benefits Programs that have previously been rejected; and

d. Compensation and Benefits Programs that, as of the entry of the Confirmation Order, are the subject of pending rejection procedures or a motion to reject, or have been specifically waived by the beneficiaries of any employee benefit plan or contract.

Any assumption of Compensation and Benefits Programs pursuant to the terms herein shall not be deemed to trigger any applicable change of control, immediate vesting, termination, or similar provisions therein (unless a Compensation and Benefits Program counterparty timely objects to the assumption contemplated by the Plan in which case any such Compensation and Benefits Program shall be deemed rejected as of immediately prior to the Petition Date). No counterparty shall have rights under a Compensation and Benefits Program assumed pursuant to the Plan other than those applicable immediately prior to such assumption.

2. Workers' Compensation Programs

As of the Effective Date, except as set forth in the Plan Supplement, the Debtors and the Reorganized Debtors shall continue to honor their obligations under: (a) all applicable workers' compensation laws in states in which the Reorganized Debtors operate; and (b) the Debtors' written contracts, agreements, agreements of indemnity, self-insured workers' compensation bonds, policies, programs, and plans for workers' compensation and workers' compensation insurance. All Proofs of Claims on account of workers' compensation shall be deemed withdrawn automatically and without any further notice to or action, order, or approval of the Bankruptcy Court; *provided* that nothing in the Plan shall limit, diminish, or otherwise alter the Debtors' or Reorganized Debtors' defenses, Causes of Action, or other rights under applicable non-bankruptcy law with respect to any such contracts, agreements, policies, programs, and plans; *provided, further*, that nothing herein shall be deemed to impose any obligations on the Debtors in addition to what is provided for under applicable state law.

Article VI.

PROVISIONS GOVERNING DISTRIBUTIONS

A. Distribution on Account of Claims and Interests Allowed as of the Effective Date

Except as otherwise provided in the Plan or a Final Order, or as agreed to by the relevant parties, distributions under the Plan on account of Claims and Interests Allowed on or before the Effective Date shall be made on the Initial Distribution Date; *provided* that (a) Allowed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases or assumed by the Debtors prior to the Effective Date shall be paid or performed in the ordinary course of business in accordance with the terms and conditions of any controlling agreements, course of dealing, course of business, or industry practice and (b) in accordance with Article II.C herein, Allowed Priority Tax Claims, unless otherwise agreed, shall receive (i) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus, to the extent provided for by section 511 of the Bankruptcy Code, interest at the rate determined under applicable nonbankruptcy law; (ii) such other treatment as may be agreed to by such Holder and the applicable Debtors or otherwise determined upon an order of the Bankruptcy Court; or (iii) treatment in accordance with the terms set forth in section 1129(a)(9)(C) of the Bankruptcy Code.

B. Distributions on Account of Claims and Interests Allowed After the Effective Date

1. Payments and Distributions on Disputed Claims

Except as otherwise provided in the Plan, a Final Order, or as agreed to by the relevant parties, distributions under the Plan on account of Disputed Claims that become Allowed after the Effective Date shall be made on the Periodic Distribution Date that is at least thirty (30) days after the Disputed Claim becomes an Allowed Claim; *provided* that (a) Disputed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases or assumed by the Debtors on or before the Effective Date that become Allowed after the Effective Date shall be paid or performed in the ordinary course of business in accordance with the terms and conditions of any controlling agreements, course of dealing, course of business, or industry practice and (b) Disputed Priority Tax Claims that become Allowed Priority Tax Claims after the Effective Date shall be treated as Allowed Priority Tax Claims in accordance with Article IX.A of this Plan and paid on the Periodic Distribution Date that is at least thirty (30) days after the Disputed Claim becomes an Allowed Claim.

2. Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any provision otherwise in the Plan and except as otherwise agreed to by the relevant parties no partial payments and no partial distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order.

C. Timing and Calculation of Amounts to Be Distributed

Except as otherwise provided herein, on the Initial Distribution Date each Holder of an Allowed Claim shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class. If and to the extent that any Disputed Claims exist, distributions on account of such Disputed Claims shall be made pursuant to Article VI.B and Article VII of this Plan. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends, or accruals on the distributions provided for in the Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date.

D. Delivery of Distributions

1. Record Date for Distributions

On the Distribution Record Date, the Claims Register shall be closed and any party responsible for making distributions shall instead be authorized and entitled to recognize only those Holders of Claims listed on the Claims Register as of the close of business on the Distribution Record Date. If a Claim, other than one based on a publicly traded security, is transferred twenty (20) or fewer days before the Distribution Record Date, the Distribution Agent shall make distributions to the transferee only to the extent practical and, in any event, only if the relevant transfer form contains an unconditional and explicit certification and waiver of any objection to the transfer by the transferor.

2. Delivery of Distributions in General

Except as otherwise provided in the Plan, the Distribution Agent shall make distributions to Holders of Allowed Claims at the address for each such Holder as indicated in the Debtors' records as of the date of any such distribution, including the address set forth in any Proof of Claim filed by that Holder; *provided* that the manner of such distributions shall be determined at the discretion of the Reorganized Debtors.

3. Delivery of Distributions on Prepetition Term Loan Claims

The Prepetition Term Loan Agent shall be deemed to be the Holder of all Allowed Class 3 Claims for purposes of distributions to be made hereunder, and all distributions on account of such Allowed Claims shall be made to the Prepetition Term Loan Agent. As soon as practicable following compliance with the requirements set forth in Article VI of this Plan, the Prepetition Term Loan Agent shall arrange to deliver or direct the delivery of such distributions to or on behalf of the Holders of Allowed Class 3 Claims in accordance with the terms of the Prepetition Term Loan Agreement and the Plan. Notwithstanding anything in the Plan to the contrary, and without limiting the exculpation and release provisions of the Plan, the Prepetition Term Loan Agent shall not have any liability to any Entity with respect to distributions made or directed to be made by the Prepetition Term Loan Agent.

4. Delivery of Distributions on DIP Facilities Claims

The DIP ABL Agent shall be deemed to be the holder of all DIP ABL Facility Claims for purposes of distributions to be made hereunder, and all distributions on account of such DIP ABL Facility Claims shall be made to the DIP ABL Agent. As soon as practicable following compliance with the requirements set forth in Article VI of this Plan, the DIP ABL Agent shall arrange to deliver or direct the delivery of such distributions to or on behalf of the Holders of DIP ABL Facility Claims in accordance with the terms of the DIP ABL Facility, subject to any modifications to such distributions in accordance with the terms of the Plan. Notwithstanding anything in the Plan to the contrary, and without limiting the exculpation and release provisions of the Plan, the DIP ABL Agent shall not have any liability to any Entity with respect to distributions made or directed to be made by the DIP ABL Agent.

The DIP Term Loan Agent shall be deemed to be the holder of all DIP Term Loan Facility Claims for purposes of distributions to be made hereunder, and all distributions on account of such DIP Term Loan Facility Claims shall be made to the DIP Term Loan Agent. As soon as practicable following compliance with the requirements set forth in Article VI of this Plan, the DIP Term Loan Agent shall arrange to deliver or direct the delivery of such distributions to or on behalf of the Holders of DIP Term Loan Facility Claims in accordance with the terms of the DIP Term Loan Facility, subject to any modifications to such distributions in accordance with the terms of the Plan. Notwithstanding anything in the Plan to the contrary, and without limiting the exculpation and release provisions of the Plan, the DIP Term Loan Agent shall not have any liability to any Entity with respect to distributions made or directed to be made by the DIP Term Loan Agent.

5. Distributions by Distribution Agents

The Debtors and the Reorganized Debtors, as applicable, shall have the authority to enter into agreements with one or more Distribution Agents to facilitate the distributions required hereunder. To the extent the Debtors (in consultation with the Requisite First Lien Lenders) and the Reorganized Debtors, as applicable, determine to utilize a Distribution Agent to facilitate the distributions under the Plan to Holders of Allowed Claims, any such Distribution Agent would first be required to: (a) affirm its obligation to facilitate the prompt distribution of any documents; (b) affirm its obligation to facilitate the prompt distribution of any recoveries or distributions required under the Plan; (c) waive any right or ability to setoff, deduct from or assert any lien or encumbrance against the distributions required under the Plan to be distributed by such Distribution Agent; and (d) post a bond, obtain a surety or provide some other form of security for the performance of its duties, the costs and expenses of procuring which shall be borne by the Debtors or the Reorganized Debtors, as applicable.

The Debtors or the Reorganized Debtors, as applicable, shall pay to the Distribution Agents all reasonable and documented fees and expenses of the Distribution Agents without the need for any approvals, authorizations, actions, or consents. The Distribution Agents shall submit detailed invoices to the Debtors or the Reorganized Debtors, as applicable, for all fees and expenses for which the Distribution Agent seeks reimbursement and the Debtors or the Reorganized Debtors, as applicable, shall pay those amounts that they, in their sole discretion, deem reasonable, and shall object in writing to those fees and expenses, if any, that the Debtors or the Reorganized Debtors, as applicable, deem to be unreasonable. In the event that the Debtors or the Reorganized Debtors, as applicable, object to all or any portion of the amounts requested to be reimbursed in a Distribution Agent's invoice, the Debtors or the Reorganized Debtors, as applicable, and such Distribution Agent shall endeavor, in good faith, to reach mutual agreement on the amount of the appropriate payment of such disputed fees and/or expenses. In the event that the Debtors or the Reorganized Debtors, as applicable, and a Distribution Agent are unable to resolve any differences regarding disputed fees or expenses, either party shall be authorized to move to have such dispute heard by the Bankruptcy Court.

6. Minimum Distributions

Notwithstanding anything herein to the contrary, the Reorganized Debtors and the Distribution Agents shall not be required to make distributions or payments of less than $100 (whether Cash or otherwise) and shall not be required to make partial distributions or payments of fractions of dollars. Whenever any payment or distribution of a fraction of a dollar or fractional share of New Equity under the Plan would otherwise be called for, the actual payment or distribution will reflect a rounding of such fraction to the nearest whole dollar or share of New Equity (up or down), with half dollars and half shares of New Equity or less being rounded down.

7. Undeliverable Distributions

a. Holding of Certain Undeliverable Distributions

If any distribution to a Holder of an Allowed Claim made in accordance herewith is returned to the Reorganized Debtors (or their Distribution Agent) as undeliverable, no further distributions shall be made to such Holder. Undeliverable distributions shall remain in the possession of the Reorganized Debtors, subject to Article VI.D.7.b of this Plan, until such time as any such distributions become deliverable. Undeliverable distributions shall not be entitled to any additional interest, dividends, or other accruals of any kind on account of their distribution being undeliverable.

b. Failure to Claim Undeliverable Distributions

No later than 60 days after an initial distribution has been made to each Class entitled to receive a distribution under the Plan, the Reorganized Debtors shall file with the Bankruptcy Court a list of the Holders of undeliverable distributions. This list shall be maintained and updated periodically in the sole discretion of the Reorganized Debtors for as long as the Chapter 11 Cases stay open. Any Holder of an Allowed Claim, irrespective of when a Claim becomes an Allowed Claim, that does not notify the Reorganized Debtors of such Holder's then current address in accordance herewith within 60 days after the filing of the list of Holders of undeliverable distributions shall have its Claim for such undeliverable distribution discharged and shall be forever barred, estopped and enjoined from asserting any such Claim against the Reorganized Debtors or their property.

Within 90 days after the mailing or other delivery of any such distribution checks, notwithstanding applicable escheatment laws, all such distributions shall revert to the Reorganized Debtors. Nothing contained herein shall require the Reorganized Debtors to attempt to locate any Holder of an Allowed Claim.

c. Failure to Present Checks

Checks issued by the Reorganized Debtors (or their Distribution Agent) on account of Allowed Claims shall be null and void if not negotiated within 90 days after the issuance of such check. In an effort to ensure that all Holders of Allowed Claims receive their allocated distributions, the Reorganized Debtors shall file with the Bankruptcy Court a list of the Holders of any un-negotiated checks no later than 70 days after the issuance of such checks. This list shall be maintained and updated periodically in the sole discretion of the Reorganized Debtors for as long as the Chapter 11 Cases stay open. Requests for reissuance of any check shall be made directly to the Distribution Agent by the Holder of the relevant Allowed Claim with respect to which such check originally was issued.

Any Holder of an Allowed Claim holding an un-negotiated check that does not request reissuance of such un-negotiated check within 180 days after the date of mailing or other delivery of such check shall have its Claim for such un-negotiated check discharged and be discharged and forever barred, estopped and enjoined from asserting any such Claim against the Reorganized Debtors or their property.

Within 90 days after the mailing or other delivery of any such distribution checks, notwithstanding applicable escheatment laws, all such distributions shall revert to the Reorganized Debtors. Nothing contained herein shall require the Reorganized Debtors to attempt to locate any Holder of an Allowed Claim.

E. Compliance with Tax Requirements/Allocations

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

F. Surrender of Canceled Instruments or Securities

On the Effective Date or as soon as reasonably practicable thereafter, each Holder of a certificate or instrument evidencing a Claim or an Equity Interest shall be deemed to have surrendered such certificate or instrument to the Distribution Agent. Such surrendered certificate or instrument shall be cancelled solely with respect to the Debtors, and such cancellation shall not alter the obligations or rights of any non-Debtor third parties

vis-à-vis one another with respect to such certificate or instrument, including with respect to any indenture or agreement that governs the rights of the Holder of a Claim or Equity Interest, which shall continue in effect for purposes of allowing Holders to receive distributions under the Plan, charging liens, priority of payment, and indemnification rights. Notwithstanding anything to the contrary herein, this paragraph shall not apply to certificates or instruments evidencing Claims that are Unimpaired under the Plan.

G. Claims Paid or Payable by Third Parties.

1. Claims Payable by Insurance

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy.

2. Applicability of Insurance Policies

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

Article VII.

PROCEDURES FOR RESOLVING DISPUTED, CONTINGENT, AND UNLIQUIDATED CLAIMS OR EQUITY INTERESTS

A. Allowance of Claims and Interests

After the Effective Date, each of the Reorganized Debtors shall have and retain any and all rights and defenses such Debtor had with respect to any Claim or Equity Interest immediately prior to the Effective Date. This Article VII shall not apply to the DIP Facilities Claims or Prepetition Term Loan Claims, which Claims shall be Allowed in full and will not be subject to any avoidance, reductions, set off, offset, recharacterization, subordination (whether equitable, contractual or otherwise), counterclaims, cross-claims, defenses, disallowance, impairment, objection or any other challenges under any applicable law or regulation by any person or Entity.

Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order and DIP Orders), no Claim shall become an Allowed Claim unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order (including the Confirmation Order) in the Chapter 11 Cases allowing such Claim. All settled Claims approved prior to the Effective Date pursuant to a Final Order of the Bankruptcy Court pursuant to Bankruptcy Rule 9019 or otherwise shall be binding on all parties.

B. Prosecution of Objections to Claims

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

C. Estimation of Claims and Interests

Before or after the Effective Date, the Debtors or Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim or Interest that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection;

and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim or Interest, including during the litigation of any objection to any Claim or Interest or during the appeal relating to such objection; *provided* that if the Bankruptcy Court resolves the Allowed amount of a Claim, the Debtors and Reorganized Debtors, as applicable, shall not be permitted to seek an estimation of such Claim). Notwithstanding any provision otherwise in the Plan, a Claim or Interest that has been expunged from the Claims Register, but that either is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim or Interest, that estimated amount shall constitute a maximum limitation on such Claim or Interest for all purposes under the Plan (including for purposes of distributions), and the relevant Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim or Interest.

D. Adjustment to Claims and Interests Without Objection

Any Claim or Interest that has been paid or satisfied, or any Claim or Interest that has been amended or superseded, may be adjusted on the Claims Register by the Reorganized Debtors without a claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

E. Time to File Objections to Claims

Any objections to Claims shall be Filed on or before the Claims Objection Deadline.

F. Disallowance of Certain Claims

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

Except as provided herein or otherwise agreed, any and all Proofs of Claim filed after the Claims Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice to or action, order, or approval of the Bankruptcy Court, and Holders of such Claims shall not receive any distributions on account of such Claims, unless on or before the Confirmation Hearing such late Claim has been deemed timely filed by a Final Order.

G. Amendments to Proofs of Claim

On or after the Effective Date, a Proof of Claim or Interest may not be filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors, and any such new or amended Proof of Claim or Interest filed shall be deemed disallowed in full and expunged without any further action by the Debtors or Reorganized Debtors (as applicable) or notice to the Bankruptcy Court or any other Entity.

H. Offer of Judgment

The Reorganized Debtors are authorized to serve upon a Holder of a Claim an offer to allow judgment to be taken on account of such Claim, and, pursuant to Bankruptcy Rules 7068 and 9014, Federal Rule of Civil Procedure 68 shall apply to such offer of judgment. To the extent the Holder of a Claim or Interest must pay the costs incurred by the Reorganized Debtors after the making of such offer, the Reorganized Debtors are entitled to

setoff such amounts against the amount of any distribution to be paid to such Holder in accordance with Article IX.F without any further notice to or action, order, or approval of the Bankruptcy Court.

Article VIII.

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

A. Conditions Precedent to the Effective Date

The following are conditions precedent to the Effective Date that must be satisfied or waived:

1. The Bankruptcy Court shall have approved the Disclosure Statement as containing adequate information with respect to the Plan within the meaning of section 1125 of the Bankruptcy Code.

2. Each of the DIP Orders shall have been entered, shall be in full force and effect, and, with respect to the Final DIP Order, shall be a Final Order.

3. The Confirmation Order shall have been entered, shall be in full force and effect, and shall be a Final Order.

4. The Exit Facilities shall have been consummated in all material respects in accordance with the Exit Facilities Documentation.

5. The New Employment Agreements shall have been consummated in all material respects in accordance with the Plan Support Agreement and the terms set forth in the Plan Supplement.

6. All documents and agreements necessary to implement the Plan shall have been executed and tendered for delivery. All conditions precedent to the effectiveness of such documents and agreements shall have been satisfied or waived pursuant to the terms thereof (or will be satisfied and waived substantially concurrently with the occurrence of the Effective Date).

7. All actions, documents, certificates, and agreements necessary to implement this 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.

8. The Professional Fee Escrow Account shall have been established and funded.

9. All material authorizations, consents, regulatory approvals, rulings, or documents that are necessary to implement and effectuate the Plan and the transactions contemplated herein shall have been obtained.

10. The Plan Support Agreement shall not have been terminated in accordance with its terms as to all parties thereto and remains in full force and effect.

B. Waiver of Conditions

The Debtors (with the consent of (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent such waiver affects the legal and/or economic rights of the Owners) or the Reorganized Debtors, as applicable, may waive any of the conditions to the Effective Date set forth above at any time, without any notice to parties in interest and without any further notice to or action, order, or approval of the Bankruptcy Court, and without any formal action other than a proceeding to confirm the Plan. The failure of the Debtors or Reorganized Debtors, as applicable, the Requisite First Lien Lenders, or the Owners to exercise any of the foregoing rights shall not be deemed a waiver of such rights or any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any time.

C. Effect of Non-Occurrence of Conditions to the Effective Date

If the Effective Date does not occur on or before the termination of the Plan Support Agreement, then: (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan,

assumption or rejection of Executory Contracts or Unexpired Leases effected under the Plan, and any document or agreement executed pursuant to the Plan, shall be deemed null and void; and (c) nothing contained in the Plan, the Confirmation Order, or the Disclosure Statement shall: (i) constitute a waiver or release of any Claims, Interests, or Causes of Action; (ii) prejudice in any manner the rights of the Debtors or any other Entity; or (iii) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Entity.

D. Substantial Consummation

"Substantial Consummation" of the Plan, as defined in 11 U.S.C. § 1101(2), shall be deemed to occur on the Effective Date.

Article IX.

RELEASE, INJUNCTION, AND RELATED PROVISIONS

A. Discharge of Claims and Termination of Equity Interests; Compromise and Settlement of Claims, Equity Interests, and Controversies.

Pursuant to and to the fullest extent permitted by section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Equity Interests and Claims of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against the Debtors, the Reorganized 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, including demands, liabilities, and Causes of Action that arose before the Effective Date, 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 Equity Interest is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Equity Interest is Allowed; or (3) the Holder of such Claim or Equity Interest has accepted the Plan. Except as otherwise provided herein, any default by the Debtors or their Affiliates with respect to any Claim or Equity Interest that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan. For the avoidance of doubt, nothing in this Article IX.A shall affect the rights of Holders of Claims and Interests to seek to enforce the Plan, including the distributions to which Holders of Allowed Claims and Interests are entitled under the Plan.

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

B. Releases by the Debtors

PURSUANT TO SECTION 1123(B) OF THE BANKRUPTCY CODE, AND EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN, FOR GOOD AND VALUABLE CONSIDERATION, INCLUDING THE SERVICE OF THE RELEASED PARTIES TO FACILITATE THE EXPEDITIOUS REORGANIZATION OF THE DEBTORS AND THE IMPLEMENTATION OF THE RESTRUCTURING CONTEMPLATED BY THE PLAN, PURSUANT TO THE CONFIRMATION ORDER AND ON AND AFTER THE EFFECTIVE DATE, THE RELEASED PARTIES AND THEIR

RESPECTIVE PROPERTY ARE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, AND FOREVER DEEMED RELEASED, ACQUITTED AND DISCHARGED BY THE DEBTORS, THE REORGANIZED DEBTORS AND THE DEBTORS' ESTATES FROM ANY AND ALL CLAIMS, DEBTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, DEBTS, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED OR ASSERTABLE ON BEHALF OF THE DEBTORS, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREINAFTER ARISING, IN LAW, EQUITY, CONTRACT, TORT, OR OTHERWISE, BY STATUTE, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE THAT THE DEBTORS, THE REORGANIZED DEBTORS, THE ESTATES OR THEIR AFFILIATES 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 EQUITY INTEREST OR OTHER ENTITY, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS (INCLUDING THE MANAGEMENT, OWNERSHIP, OR OPERATION THEREOF), THE REORGANIZED DEBTORS, THE CHAPTER 11 CASES, THE DIP AGREEMENTS AND DIP FACILITIES, THE DEBTORS' IN- OR OUT-OF-COURT RESTRUCTURING EFFORTS, THE PURCHASE, SALE OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PARTY (INCLUDING THE PREPETITION ABL FACILITY AND PREPETITION ABL DOCUMENTS), THE RESTRUCTURING OF CLAIMS AND EQUITY INTERESTS PRIOR TO OR IN THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION OR PREPARATION OF THE PLAN, THE PLAN SUPPORT AGREEMENT, THE PLAN SUPPLEMENT, THE DISCLOSURE STATEMENT, THE DOCUMENTATION AND NEGOTIATION OF THE EXIT TERM LOAN FACILITY, THE EXIT ABL FACILITY, ANY OTHER EXIT FINANCING FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS, ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE.

THE FOREGOING RELEASE (1) SHALL NOT APPLY TO ANY EXPRESS CONTRACTUAL OR FINANCIAL OBLIGATIONS OR ANY RIGHT OR OBLIGATIONS ARISING UNDER OR THAT IS PART OF THE PLAN OR ANY AGREEMENTS ENTERED INTO PURSUANT TO, IN CONNECTION WITH OR CONTEMPLATED BY THE PLAN, (2) SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY THAT RESULTS FROM ANY SUCH ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED ACTUAL FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT, AND (3) SHALL NOT RELEASE ANY CLAIMS HELD BY ANY NON-DEBTOR. UPON THE EFFECTIVE DATE, INCLUDING THE EFFECTIVENESS OF THE RELEASES SET FORTH HEREIN AND AS WILL BE SET FORTH IN THE PLAN AND CONFIRMATION ORDER, ANY CLAIMS FILED BY AN OWNER WILL BE DEEMED EXPUNGED WITHOUT FURTHER ACTION. FOR THE AVOIDANCE OF DOUBT, THE DEBTORS AND REORGANIZED DEBTORS WILL CONTINUE TO HONOR ALL POSTPETITION AND POST-EFFECTIVE DATE OBLIGATIONS UNDER THE EXIT TERM LOAN FACILITY, THE EXIT ABL FACILITY, ANY OTHER EXIT FINANCING FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS.

C. Releases by Holders of Claims and Equity Interests

AS OF THE EFFECTIVE DATE, EACH OF THE RELEASING PARTIES (REGARDLESS OF WHETHER A RELEASING PARTY IS A RELEASED PARTY) SHALL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER RELEASED, ACQUITTED AND DISCHARGED THE DEBTORS, THE REORGANIZED DEBTORS AND THE RELEASED PARTIES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CLAIMS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, DEBTS, CAUSES OF ACTION, REMEDIES, AND LIABILITIES WHATSOEVER, INCLUDING ANY DERIVATIVE CLAIMS ASSERTED OR ASSERTABLE ON BEHALF OF A DEBTOR, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, MATURED OR UNMATURED, EXISTING OR HEREAFTER ARISING, IN LAW,

EQUITY, CONTRACT, TORT OR OTHERWISE, BY STATUTE, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS OR OTHERWISE THAT SUCH ENTITY WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY) OR ON BEHALF OF THE HOLDER OF ANY CLAIM OR EQUITY INTEREST OR OTHER ENTITY, BASED ON OR RELATING TO, OR IN ANY MANNER ARISING FROM, IN WHOLE OR IN PART, THE DEBTORS (INCLUDING THE MANAGEMENT, OWNERSHIP, OR OPERATION THEREOF), THE REORGANIZED DEBTORS, THE DEBTORS' IN- OR OUT-OF-COURT RESTRUCTURING EFFORTS, THE CHAPTER 11 CASES, THE DIP AGREEMENTS AND DIP FACILITIES, THE PURCHASE, SALE OR RESCISSION OF THE PURCHASE OR SALE OF ANY SECURITY OF THE DEBTORS OR THE REORGANIZED DEBTORS, THE SUBJECT MATTER OF, OR THE TRANSACTIONS OR EVENTS GIVING RISE TO, ANY CLAIM OR EQUITY INTEREST THAT IS TREATED IN THE PLAN, THE BUSINESS OR CONTRACTUAL ARRANGEMENTS BETWEEN THE DEBTORS AND ANY RELEASED PARTY (INCLUDING THE PREPETITION ABL FACILITY AND THE PREPETITION ABL DOCUMENTS), THE RESTRUCTURING OF CLAIMS AND EQUITY INTERESTS PRIOR TO OR DURING THE CHAPTER 11 CASES, THE NEGOTIATION, FORMULATION, OR PREPARATION OF THE PLAN, THE PLAN SUPPORT AGREEMENT, THE PLAN SUPPLEMENT, THE DISCLOSURE STATEMENT, THE DOCUMENTATION AND NEGOTIATION OF THE EXIT TERM LOAN FACILITY, THE EXIT ABL FACILITY, ANY OTHER EXIT FINANCING FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS OR OTHER DOCUMENTS, ANY OTHER ACT OR OMISSION, TRANSACTION, AGREEMENT, EVENT, OR OTHER OCCURRENCE TAKING PLACE ON OR BEFORE THE CONFIRMATION DATE.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE RELEASE SET FORTH ABOVE DOES NOT RELEASE (A) ANY OBLIGATION OF THE DEBTORS OR THE REORGANIZED DEBTORS ARISING UNDER OR IN CONNECTION WITH THE EXIT FACILITIES, (B) ANY POST-EFFECTIVE DATE OBLIGATIONS OF ANY PARTY OR ENTITY UNDER THE PLAN OR ANY DOCUMENT, INSTRUMENT OR AGREEMENT (INCLUDING THOSE SET FORTH IN THE PLAN SUPPLEMENT) EXECUTED TO IMPLEMENT THE PLAN (INCLUDING, FOR THE AVOIDANCE OF DOUBT, POST-EFFECTIVE DATE OBLIGATIONS ARISING UNDER OR IN CONNECTION WITH THE DIP TERM LOAN FACILITY, THE EXIT TERM LOAN FACILITY, THE EXIT ABL FACILITY, ANY OTHER EXIT FACILITIES, AND ANY RELATED AGREEMENTS, INSTRUMENTS, OR OTHER DOCUMENTS), OR (C) THE RIGHT TO RECEIVE DISTRIBUTIONS FROM THE DEBTORS OR THE REORGANIZED DEBTORS ON ACCOUNT OF AN ALLOWED CLAIM AGAINST THE DEBTORS PURSUANT TO THIS PLAN.

NOTWITHSTANDING THE FOREGOING, THE DEBTORS AND THE REORGANIZED DEBTORS WILL CONTINUE TO HONOR ALL POSTPETITION AND POST-EFFECTIVE DATE OBLIGATIONS UNDER ANY ASSUMED EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN ACCORDANCE WITH THEIR TERMS, REGARDLESS OF WHETHER SUCH OBLIGATIONS ARE LISTED AS A CURE AMOUNT, AND WHETHER SUCH OBLIGATIONS ACCRUED PRIOR TO OR AFTER THE EFFECTIVE DATE, AND NEITHER THE PAYMENT OF CURE NOR ENTRY OF THE CONFIRMATION ORDER SHALL BE DEEMED TO RELEASE THE DEBTORS OR THE REORGANIZED DEBTORS FROM SUCH OBLIGATIONS.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE RELEASE SET FORTH ABOVE (1) DOES NOT RELEASE THE PERSONAL LIABILITY OF ANY OF THE AFOREMENTIONED RELEASED PARTIES FOR ANY STATUTORY VIOLATION OF APPLICABLE TAX LAWS OR BAR ANY RIGHT OF ACTION ASSERTED BY A GOVERNMENTAL TAXING AUTHORITY AGAINST THE AFOREMENTIONED RELEASED PARTIES FOR ANY STATUTORY VIOLATION OF APPLICABLE TAX LAWS AND (2) SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY THAT RESULTS FROM ANY SUCH ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED ACTUAL FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT.

D. Exculpation

UPON AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE DEBTORS AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, ATTORNEYS, INVESTMENT BANKERS, FINANCIAL ADVISORS, RESTRUCTURING CONSULTANTS AND OTHER PROFESSIONAL ADVISORS AND AGENTS WILL BE DEEMED TO HAVE SOLICITED ACCEPTANCES OF THIS PLAN IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE, INCLUDING SECTION 1125(E) OF THE BANKRUPTCY CODE.

EXCEPT WITH RESPECT TO ANY ACTS OR OMISSIONS EXPRESSLY SET FORTH IN AND PRESERVED BY THE PLAN, THE PLAN SUPPLEMENT, OR RELATED DOCUMENTS, THE EXCULPATED FIDUCIARIES (AND, SOLELY TO THE EXTENT APPROPRIATE UNDER AND PROVIDED BY SECTION 1125(E) OF THE BANKRUPTCY CODE, THE SECTION 1125(E) PARTIES), SHALL NEITHER HAVE, NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH, OR RELATED TO FORMULATING, NEGOTIATING, PREPARING, DISSEMINATING, IMPLEMENTING, ADMINISTERING, CONFIRMING, OR EFFECTING THE PLAN OR ANY CONTRACT, INSTRUMENT, RELEASE OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THE PLAN OR ANY OTHER PREPETITION OR POSTPETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OF THE DEBTORS; *PROVIDED* THAT THE FOREGOING "EXCULPATION" SHALL HAVE NO EFFECT ON THE LIABILITY OF ANY ENTITY THAT RESULTS FROM ANY SUCH ACT OR OMISSION THAT IS DETERMINED IN A FINAL ORDER TO HAVE CONSTITUTED FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT; *PROVIDED, FURTHER*, THAT TO THE EXTENT PERMITTED BY APPLICABLE LAW EACH EXCULPATED PARTY SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER OR ITS DUTIES PURSUANT TO, OR IN CONNECTION WITH, THE PLAN OR ANY OTHER RELATED DOCUMENT, INSTRUMENT, OR AGREEMENT.

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, INCLUDING WITH REGARD TO THE DISTRIBUTIONS OF NEW EQUITY AND ISSUANCE OF GUC RIGHTS PURSUANT TO THE PLAN AND, THEREFORE, ARE NOT AND SHALL NOT BE LIABLE AT ANY TIME FOR THE VIOLATIONS 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.

E. Injunction

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT: (A) ARE SUBJECT TO COMPROMISE AND SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (B) HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.B OF THIS PLAN; (C) HAVE BEEN RELEASED PURSUANT TO ARTICLE IX.C OF THIS PLAN, (D) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE IX.D OF THIS PLAN (BUT ONLY TO THE EXTENT OF THE EXCULPATION PROVIDED IN ARTICLE IX.D OF THIS PLAN), OR (E) ARE OTHERWISE DISCHARGED, SATISFIED, STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY ACTION OR OTHER PROCEEDING, INCLUDING ON ACCOUNT OF ANY CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED AGAINST THE DEBTORS, THE REORGANIZED DEBTORS, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED) ON ACCOUNT OF, OR IN CONNECTION WITH OR WITH RESPECT TO, ANY DISCHARGED, RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES; *PROVIDED* THAT, FOR THE AVOIDANCE OF DOUBT,

NOTHING IN THIS INJUNCTION SHALL PREVENT ANY OWNER FROM UTILIZING ITS WORTHLESS STOCK DEDUCTION IN ACCORDANCE WITH THE PROCEDURES SET FORTH IN SECTION 4(E) OF THE PLAN SUPPORT AGREEMENT.

F. Setoffs and Recoupment

Except as otherwise provided herein, each Reorganized Debtor pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable bankruptcy or non-bankruptcy law, or as may be agreed to by the Holder of an Allowed Claim, may set off or recoup against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim, any Claims, rights, and Causes of Action of any nature that the applicable Debtor or Reorganized Debtor may hold against the Holder of such Allowed Claim, to the extent such Claims, rights, or Causes of Action have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan, a Final Order or otherwise); *provided* that neither the failure to effect such a setoff or recoupment nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by such Reorganized Debtor of any such Claims, rights, and Causes of Action.

In no event shall any Holder of Claims be entitled to set off or recoup any Claim against any Claim, right, or Cause of Action of a Debtor or a Reorganized Debtor, as applicable, unless such Holder has timely filed a Proof of Claim with the Bankruptcy Court preserving such setoff or recoupment in such Proof of Claim.

G. Release of Liens

Except as otherwise provided herein or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, 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 applicable Reorganized Debtor and its successors and assigns.

To the extent that any Holder of a Secured Claim that has been satisfied or discharged in full pursuant to the Plan, or any agent for such Holder, has filed or recorded publicly any Liens and/or security interests to secure such Holder's Secured Claim, then as soon as practicable on or after the Effective Date, such Holder (or the agent for such Holder) shall take any and all steps requested by the Debtors, the Reorganized Debtors, or any administrative agent under the New Secured Debt Documentation that are necessary or desirable to record or effectuate the cancellation and/or extinguishment of such Liens and/or security interests, including the making of any applicable filings or recordings, and the Reorganized Debtors shall be entitled to make any such filings or recordings on such Holder's behalf.

Article X.

RETENTION OF JURISDICTION

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

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

2. Decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Retained Professionals authorized pursuant to the Bankruptcy Code or the Plan;

3. Resolve any matters related to: (a) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable

and to hear, determine, and, if necessary, liquidate, any Cure Costs arising therefrom, including Cure Costs pursuant to section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; and (c) any dispute regarding whether a contract or lease is or was executory or expired;

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

5. Adjudicate, decide or resolve any motions, adversary proceedings, contested, or litigated matters, and any other matters (including with respect to the ability of any Owner to utilize its worthless stock deduction), and grant or deny any applications involving a Debtor that may be pending on the Effective Date;

6. Adjudicate, decide or resolve any and all matters related to Causes of Action;

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

8. Resolve any cases, controversies, suits, or disputes that may arise in connection with General Unsecured Claims, including establishment of a bar date, related notice, claim objections, allowance, disallowance, estimation and distribution;

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

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

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

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

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

14. Resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Interest for amounts not timely repaid;

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

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

17. Enter an order or final decree concluding or closing the Chapter 11 Cases;

18. Adjudicate any and all disputes arising from or relating to distributions under the Plan;

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

20. Determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;

21. Hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan (other than any dispute arising after the Effective Date under, or directly with respect to, the Exit Facilities Documentation, which such disputes shall be adjudicated in accordance with the terms of the Exit Facilities Documentation);

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

23. Hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

24. Enforce all orders previously entered by the Bankruptcy Court; and

25. Hear any other matter not inconsistent with the Bankruptcy Code.

Article XI.

MODIFICATION, REVOCATION, OR WITHDRAWAL OF PLAN

A. Modification of Plan

Subject to the limitations contained in the Plan, the Debtors reserve the right, in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Plan Support Agreement: (a) to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (b) after the entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code and the Plan Support Agreement, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan; *provided* that any modification or amendments that impact the treatment of the DIP ABL Claims, DIP Term Loan Claims, Prepetition Term Loan Claims, and/or Claims held by the Owners shall require the consent of the DIP ABL Agent, DIP Term Loan Agent, Prepetition Term Loan Agent, and/or Owners as applicable.

B. Effect of Confirmation on Modifications

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

C. Revocation of Plan

Subject to the conditions to the Effective Date, the Debtors reserve the right, subject to the terms of the Plan Support Agreement, to revoke or withdraw the Plan prior to the entry of the Confirmation Order and to file subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan in accordance with the Plan Support Agreement, or if entry of the Confirmation Order or the Effective Date does not occur, or if the Plan Support Agreement terminates as to all parties thereto in accordance with its terms, then: (a) the Plan shall be null and void in all respects; (b) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant hereto shall be deemed null and void; and (c) nothing contained in the Plan shall: (i) constitute a waiver or release of any claims by or against, or any Equity Interests in, such Debtor or any other Entity; (ii) prejudice in any manner the rights of the Debtors or any other Entity; or (iii) constitute an admission of any sort by the Debtors or any other Entity.

Article XII.

MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect

Notwithstanding Bankruptcy Rules 3020(e), 6004(g), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the documents and instruments contained in the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all Holders of Claims and Interests (irrespective of whether Holders of such Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan and any and all non-Debtor parties to Executory Contracts and Unexpired Leases. The Confirmation Order shall contain a waiver of any stay of enforcement otherwise applicable, including pursuant to Bankruptcy Rule 3020(e) and 7062.

B. Additional Documents

On or before the Effective Date, the Debtors, with the consent, pursuant to the Plan Support Agreement, of (a) the Requisite First Lien Lenders and (b) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners, 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 or Reorganized Debtors, as applicable, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, 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 or the Confirmation Order.

C. Payment of Statutory Fees

All fees payable pursuant to section 1930(a) of Title 28 of the U.S. Code, as determined by the Bankruptcy Court at a hearing pursuant to section 1128 of the Bankruptcy Code or as agreed to by the United States Trustee and Reorganized HoldCo, shall be paid when due and payable for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed or closed, whichever occurs first. The Reorganized Debtors shall file with the Bankruptcy Court quarterly reports in a form reasonably acceptable to the United States Trustee until the entry of a final decree pursuant to Bankruptcy Rule 3022 to close the chapter 11 case of such Reorganized Debtor.

D. Reservation of Rights

The Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order. None of the filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by any Debtor with respect to the Plan, the Disclosure Statement, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests prior to the Effective Date.

E. Successors and Assigns

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

F. Service of Documents

After the Effective Date, any pleading, notice, or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall also be served on:

Debtors	Counsel to the Debtors
Charming Charlie Holdings Inc. 6001 Savoy Drive Houston, Texas 77036 Attn.: Melissa Boughton	Kirkland & Ellis LLP 601 Lexington Avenue New York, New York 10022 Attn.: Joshua A. Sussberg, Christopher T. Greco, Aparna Yenamandra, and Rebecca Blake Chaikin - and - Klehr Harrison Harvey Branzburg LLP 919 N. Market Street, Suite 1000 Wilmington, Delaware 19801 Attn.: Domenic E. Pacitti and Michael W. Yurkewicz
United States Trustee	**Counsel to the Consenting Term Loan Committee**
Office of the United States Trustee for the District of Delaware 844 King Street, Suite 2207, Lockbox 35 Wilmington, Delaware 19801 Attn.: Richard Schepacarter, Esq.	Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, New York 10019 Attn.: Jeffrey D. Saferstein, Adam M. Denhoff, and Sharad Thaper - and - Young Conaway Stargatt & Taylor, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801 Attn.: Pauline K. Morgan and M. Blake Cleary
Counsel to the Owners	**Counsel to the Official Committee**
Andrews Kurth Kenyon LLP 600 Travis Street, Suite 4200 Houston, Texas 77002 Attn.: Timothy A. "Tad" Davidson II and Joseph P. Rovira - and - Ropes & Gray LLP 1211 Avenue of the Americas New York, New York 10036 Attn.: Gregg M. Galardi and Stephen Moeller-Sally	Cooley LLP 1114 Avenue of the Americas New York, NY 10035 Attn: Cathy Hershcopf, Seth Van Aaltan, and Michael Klein -and- Benesch, Friedlander, Coplan & Aronoff LLP 222 Delaware Avenue, Suite 801 Wilmington, Delaware 19801 Attn: Jennifer R. Hoover and Kevin M. Capuzzi

After the Effective Date, the Reorganized Debtors have authority to send a notice to Entities that, to continue to receive documents pursuant to Bankruptcy Rule 2002, they must file a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Reorganized Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have filed such renewed requests.

In accordance with Bankruptcy Rules 2002 and 3020(c), within ten (10) Business Days of the date of entry of the Confirmation Order, the Debtors shall serve the Notice of Confirmation by United States mail, first class postage prepaid, by hand, or by overnight courier service to all parties served with the Confirmation Hearing Notice; *provided* that no notice or service of any kind shall be required to be mailed or made upon any Entity to whom the Debtors mailed a Confirmation Hearing Notice, but received such notice returned marked "undeliverable as addressed," "moved, left no forwarding address" or "forwarding order expired," or similar reason, unless the

Debtors have been informed in writing by such Entity, or are otherwise aware, of that Entity's new address. To supplement the notice described in the preceding sentence, within twenty days of the date of the Confirmation Order the Debtors shall publish the Notice of Confirmation once in *The Wall Street Journal* (national edition). Mailing and publication of the Notice of Confirmation in the time and manner set forth in the this paragraph shall be good and sufficient notice under the particular circumstances and in accordance with the requirements of Bankruptcy Rules 2002 and 3020(c), and no further notice is necessary.

G. Term of Injunctions or Stays

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

H. Entire Agreement

On the Effective Date, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

I. Governing Law

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

J. Exhibits

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. Except as otherwise provided in the Plan, such exhibits and documents included in the Plan Supplement shall be filed with the Bankruptcy Court on or before the Plan Supplement Filing Date. After the exhibits and documents are filed, copies of such exhibits and documents shall have been available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the Debtors' restructuring website at https://www.omnimgt.com/charmingcharlie or the Bankruptcy Court's website at www.nysb.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.

K. Nonseverability of Plan Provisions upon Confirmation

If, prior to 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; *provided* that, any such alteration or interpretation shall be reasonably satisfactory to (a) the Debtors, (b) the Requisite First Lien Lenders, (c) the Owners solely to the extent the provisions therein affect the legal and/or economic rights of the Owners, and (d) the Prepetition ABL Agent and the DIP ABL Agent, solely to the extent the provisions therein affect the legal and/or economic rights of the Prepetition ABL Agent and the DIP ABL Agent. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is:

(x) valid and enforceable pursuant to its terms; (y) integral to the Plan and may not be deleted or modified without the consent of the Debtors; and (z) nonseverable and mutually dependent.

L. Closing of Chapter 11 Cases

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Cases.

M. Conflicts

To the extent that any provision of the Disclosure Statement, the Plan Supplement, or any other order (other than the DIP Orders and the Confirmation Order) referenced in the Plan (or any exhibits, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control. To the extent that any provision in the Plan conflicts with or is in any way inconsistent with any provision of the Confirmation Order, the Confirmation Order shall govern and control.

N. Dissolution of the Committee

The Official Committee shall dissolve, and the members thereof shall be released and discharged from all rights and duties arising from, or related to, the Chapter 11 Cases on the Effective Date; *provided* that the Official Committee shall be deemed to remain in existence solely with respect to, and shall not be heard on any issue except, applications filed by the Professionals pursuant to sections 330 and 331 of the Bankruptcy Code.

O. Section 1125(e) Good Faith Compliance

The Debtors, Reorganized Debtors, the DIP Agents, the DIP Lenders, the Prepetition ABL Agent, the Prepetition ABL Lenders, the Prepetition Term Loan Agent, the Prepetition Term Loan Lenders, the Exit ABL Agent, the Exit ABL Lenders, the Exit Term Loan Agent, the Exit Term Loan Lenders, the Owners, and each of their respective Representatives, shall be deemed to have acted in "good faith" under section 1125(e) of the Bankruptcy Code.

P. Further Assurances

The Debtors, Reorganized Debtors, all Holders of Claims or Interests receiving distributions pursuant to this Plan, and all other parties-in-interest shall, 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 or the Confirmation Order.

* * * * *

Respectfully submitted, as of the date first set forth above,

Charming Charlie Holdings Inc.
(on behalf of itself and all other Debtors)

By: */s/ Rob Adamek*
Name: Rob Adamek
Title: Chief Financial Officer

Exhibit G

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
CHARMING CHARLIE HOLDINGS INC., *et al.*,[1]	)	Case No. 17-12906 (CSS)
Debtors.	)	(Jointly Administered)

SOLICITATION PROCEDURES

PLEASE TAKE NOTICE THAT on ~~[ ],~~February 13, 2018, the United States Bankruptcy Court for the District of Delaware (the "Court") entered an order [Docket No. ~~[●]]~~432] (the "Disclosure Statement Order"): (a) approving the *Disclosure Statement for the Joint Chapter 11 Plan of Reorganization of Charming Charlie Holdings Inc. and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended, or supplemented from time to time, the "Disclosure Statement"); (b) establishing the voting record date, voting deadline, and other related dates in connection with confirmation of the *Joint Chapter 11 Plan of Reorganization of Charming Charlie Holdings Inc. and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended, or supplemented from time to time, the "Plan");[2] (c) approving procedures for soliciting, receiving, and tabulating votes on the Plan; and (d) approving the manner and forms of notice and other related documents as they relate to the Debtors.

A. The Voting Record Date.

The Court has approved **February 19, 2018**, as the record date for purposes of determining which holders of Claims in Class 3 (Prepetition Term Loan Claims) and Class 4 (General Unsecured Claims) are entitled to vote on the Plan (the "Voting Record Date").

B. The Voting Deadline.

The Court has approved **March 23, 2018, at 4:00 p.m.** prevailing Eastern Time as the voting deadline (the "Voting Deadline") for the Plan. The Debtors may extend the Voting Deadline, in their discretion, without further order of the Court. To be counted as votes to accept or reject the Plan, all ballots ("Ballots") must be properly executed, completed, and delivered by: (1) first class mail; (2) overnight courier; or (3) personal delivery so that they are ***actually received***, in any case, no later than the Voting Deadline by the Solicitation Agent. All Ballots should be sent to: Charming Charlie Holdings

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Charming Charlie Canada LLC (0693); Charming Charlie Holdings Inc. (6139); Charming Charlie International LLC (5887); Charming Charlie LLC (0263); Charming Charlie Manhattan LLC (7408); Charming Charlie USA, Inc. (3973); and Poseidon Partners CMS Inc. (3302). The location of the Debtors' service address is: 6001 Savoy Drive, Houston, Texas 77036.

[2] Capitalized terms used but not defined herein have the meanings given to such terms in the Plan or Disclosure Statement, as applicable.

Inc. *et al.* Claims Processing, Rust Consulting/Omni Bankruptcy, 5955 De Soto Avenue, Suite 100, Woodland Hills, California 91367. Delivery of a Ballot to the Solicitation Agent by facsimile or any other electronic means shall not be valid.

C. Form, Content, and Manner of Notices.

1. The Solicitation Package.

The following materials shall constitute the solicitation package (the "Solicitation Package"):

a. the relevant Ballot, substantially in the form annexed as Exhibit 3A or Exhibit 3B to the Disclosure Statement Order, as applicable;

b. a cover letter, substantially in the form annexed as Exhibit 7 to the Disclosure Statement Order describing the contents of the Solicitation Package and urging the holders of Claims in each of the Voting Classes to vote to accept the Plan;

c. the Disclosure Statement, as approved by the Court (and exhibits attached thereto, including the Plan and these Solicitation Procedures);

d. the Disclosure Statement Order, without exhibits;

e. the *Notice of Hearing to Consider Confirmation of the Chapter 11 Plan Filed By the Debtors and Related Voting and Objection Deadlines*, substantially in the form annexed as Exhibit 8 to the Disclosure Statement Order (the "Confirmation Hearing Notice"); and

f. any additional documents that the Court has ordered to be made available.

2. Distribution of the Solicitation Package.

The Solicitation Package shall provide the Plan, the Disclosure Statement (and exhibits attached thereto, including the Plan and these Solicitation Procedures), and the Disclosure Statement Order (without exhibits) in electronic format, and all other contents of the Solicitation Package, including Ballots, shall be provided in paper format. Any party that receives the materials in electronic format but would prefer paper format may contact Rust Consulting/Omni Bankruptcy, the solicitation agent retained by the Debtors in the Chapter 11 Cases (the "Solicitation Agent") by: (a) calling the Debtors' restructuring hotline at 844-452-2141 (toll free); (b) visiting the Debtors' restructuring website at: http://www.omnimgt.com/charmingcharlie/solicitation; (c) writing to Charming Charlie Holdings Inc. *et al.* Claims Processing, Rust Consulting/Omni Bankruptcy, 5955 De Soto Avenue, Suite 100, Woodland Hills, California 91367; or (d) emailing charmingcharlie@omnimgt.com and request paper copies of the corresponding materials.

The Debtors shall serve, or cause to be served, all of the materials in the Solicitation Package on the U.S. Trustee and all parties who have requested service of papers in this case pursuant to Bankruptcy Rule 2002 as of the Voting Record Date in accordance with the Disclosure Statement Order. In addition, the Debtors shall mail, or cause to be mailed, on or before February 23, 2018, Solicitation Packages to all holders of Claims in classes that are entitled to vote (the "Voting Classes"), as described in section D below.

To avoid duplication and reduce expenses, the Debtors will make reasonable efforts to ensure that any holder of a Claim that has filed duplicative Claims against a Debtor (whether against the same or

multiple Debtors) that are classified under the Plan in the same Voting Class receives no more than one Solicitation Package (and, therefore, one Ballot) on account of such Claim and with respect to that Class as against that Debtor.

3. Resolution of Disputed Claims for Voting Purposes; Resolution Event.

a. Absent a further order of the Court, the holder of a Claim in a Voting Class that is the subject of a pending objection on a "reduce and allow" basis shall be entitled to vote such Claim in the reduced amount contained in such objection.

b. If a Claim in a Voting Class is subject to an objection other than a "reduce and allow" objection that is filed with the Court on or prior to seven days before the Voting Deadline: (i) the Debtors shall cause the applicable holder to be served with a notice of Disputed Claim (the "Disputed Claim Notice"), substantially in the form annexed as Exhibit 6 to the Disclosure Statement Order (which notice shall be served together with such objection); and (ii) the applicable holder shall not be entitled to vote to accept or reject the Plan on account of such claim unless a Resolution Event (as defined herein) occurs as provided herein.

c. If a Claim in a Voting Class is subject to an objection other than a "reduce and allow" objection that is filed with the Court less than seven days prior to the Voting Deadline, the applicable Claim shall be deemed temporarily allowed for voting purposes only, without further action by the holder of such Claim and without further order of the Court, unless the Court orders otherwise.

d. A "Resolution Event" means the occurrence of one or more of the following events no later than two business days prior to the Voting Deadline:

i. an order of the Court is entered allowing such Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing;

ii. an order of the Court is entered temporarily allowing such Claim for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing;

iii. a stipulation or other agreement is executed between the holder of such Claim and the Debtors (A) resolving the objection and allowing such Claim in an agreed upon amount or (B) agreeing upon an amount in which the holder of such Claim may vote; or

iv. the pending objection is voluntarily withdrawn by the objecting party.

e. No later than one business day following the occurrence of a Resolution Event, the Debtors shall cause the Solicitation Agent to distribute via email, hand delivery, or overnight courier service a Solicitation Package and a pre-addressed envelope to the relevant holder to the extent such holder has not already received a Solicitation Package containing a Ballot.

4. Non-Voting Status Notices for Unimpaired Classes and Classes Deemed to Reject the Plan.

Certain Holders of Claims and Interests that are not classified in accordance with section 1123(a)(1) of the Bankruptcy Code or who are not entitled to vote because they are Unimpaired or otherwise presumed to accept the Plan under section 1126(f) of the Bankruptcy Code will receive only the *Notice of Non-Voting Status to Holders of Unimpaired Claims Conclusively Presumed to Accept the Plan*, substantially in the form annexed as Exhibit 4 to the Disclosure Statement Order. Such notice will instruct these holders as to how they may obtain copies of the documents contained in the Solicitation Package (excluding Ballots). Certain holders of Claims and Interests who are not entitled to vote because they are deemed to reject the Plan under section 1126(g) of the Bankruptcy Code will receive the *Notice of Non-Voting Status to Holders of Impaired Claims and Equity Interests Deemed to Reject the Plan*, substantially in the form annexed as Exhibit 5 to the Disclosure Statement Order. Such notice will instruct these holders as to how they may obtain copies of the documents contained in the Solicitation Package (excluding Ballots).

D. Voting and Tabulation Procedures.

1. Holders of Claims Entitled to Vote.

Only the following holders of Claims in the Voting Classes shall be entitled to vote with regard to such Claims:

a. holders of Claims who, on or before the Voting Record Date, have timely filed a Proof of Claim that (i) has not been expunged, disallowed, disqualified, withdrawn, or superseded prior to the Voting Record Date; and (ii) is not the subject of a pending objection, other than a "reduce and allow" objection, filed with the Court at least seven days prior to the Voting Deadline, pending a Resolution Event as provided herein; *provided* that a holder of a Claim that is the subject of a pending objection on a "reduce and allow" basis shall receive a Solicitation Package and be entitled to vote such Claim in the reduced amount contained in such objection absent a further order of the Court;

b. holders of Claims that are listed in the Debtors' schedules of assets and liabilities (the "Schedules"); *provided* that Claims that are scheduled as contingent, unliquidated, or disputed (excluding such scheduled disputed, contingent, or unliquidated Claims that have been paid or superseded by a timely filed Proof of Claim) shall be allowed to vote only in the amounts set forth in section D.2(d) of these Solicitation Procedures;

c. holders whose Claims arise (i) pursuant to an agreement or settlement with the Debtors, as reflected in a document filed with the Court, (ii) in an order entered by the Court, or (iii) in a document executed by the Debtors pursuant to authority granted by the Court, in each case regardless of whether a Proof of Claim has been filed;

d. holders of any Disputed Claim that has been temporarily allowed to vote on the Plan pursuant to Bankruptcy Rule 3018; and

e. the assignee of any Claim that was transferred on or before the Voting Record Date by any Entity described in subparagraphs (a) through (d) above; *provided* that such transfer or assignment has been fully effectuated pursuant to the

procedures set forth in Bankruptcy Rule 3001(e) and such transfer is reflected on the Claims Register as of the Voting Record Date.

2. Establishing Claim Amounts for Voting Purposes.

Class 3 Claims. The Claims amount of Class 3 Claims for voting purposes only will be established based on the amount of the applicable positions held by such Class 3 Claim holder, as of the Voting Record Date, as evidenced by the applicable records provided by the Prepetition Term Loan Agent, which shall provide the name, address, and amount of Class 3 Claims held by each holder of a Class 3 Claim, in electronic Microsoft Excel format to the Debtors or the Solicitation Agent no later than one (1) business day following the Voting Record Date.

Scheduled Claims. The Claim amount established herein shall control for voting purposes only and shall not constitute the Allowed amount of any Claim. Moreover, any amounts filled in on Ballots by the Debtors through the Solicitation Agent, as applicable, are not binding for purposes of allowance and distribution. In tabulating votes, the following hierarchy shall be used to determine the amount of the Claim associated with each claimant's vote:

a. the Claim amount (i) settled and/or agreed upon by the Debtors, as reflected in a document filed with the Court, (ii) set forth in an order of the Court, or (iii) set forth in a document executed by the Debtors pursuant to authority granted by the Court;

b. the Claim amount Allowed (temporarily or otherwise) pursuant to a Resolution Event under section C.3(d) of these Solicitation Procedures;

c. the Claim amount contained in a Proof of Claim that has been timely filed (or deemed timely filed by the Court under applicable law), except for any amounts asserted on account of any interest accrued after the Petition Date; *provided*, *however*, that any Ballot cast by a holder of a Claim who timely files a Proof of Claim in respect of (i) a contingent Claim or a Claim in a wholly-unliquidated or unknown amount (based on a reasonable review by the Debtors and/or the Solicitation Agent) that is not the subject of an objection will count toward satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code and will count as a Ballot for a Claim in the amount of $1.00 solely for the purposes of satisfying the dollar amount provisions of section 1126(c) of the Bankruptcy Code, and (ii) a partially liquidated and partially unliquidated Claim, such Claim will be Allowed for voting purposes only in the liquidated amount; *provided further*, *however*, that to the extent the Claim amount contained in the Proof of Claim is different from the Claim amount set forth in a document filed with the Court as referenced in subparagraph (a) above, the Claim amount in the document filed with the Court shall supersede the Claim amount set forth on the respective Proof of Claim for voting purposes;

d. the Claim amount listed in the Schedules (to the extent such Claim is not superseded by a timely filed Proof of Claim); *provided* that such Claim is not scheduled as contingent, disputed, or unliquidated and/or has not been paid; *provided*, *however*, a Claim that is listed in the Schedules as contingent, unliquidated, or disputed and for which a Proof of Claim was not (i) filed by the applicable Claims Bar Date for the filing of Proofs of Claim established by the

Court or (ii) deemed timely filed by an order of the Court prior to the Voting Deadline is not entitled to vote; and

e. in the absence of any of the foregoing, such Claim shall be disallowed for voting purposes.

3. Voting and Ballot Tabulation Procedures.

The following voting procedures and standard assumptions shall be used in tabulating Ballots, subject to the Debtors' right to waive any of the below specified requirements for completion and submission of Ballots so long as such requirement is not otherwise required by the Bankruptcy Code, Bankruptcy Rules, or Local Bankruptcy Rules:

a. except as otherwise provided in these Solicitation Procedures, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline (as the same may be extended by the Debtors), the Debtors shall reject such Ballot as invalid and, therefore, shall not count it in connection with Confirmation of the Plan;

b. the Solicitation Agent will date-stamp all Ballots when received. The Solicitation Agent shall retain the original Ballots and an electronic copy of the same for a period of one year after the Effective Date of the Plan, unless otherwise ordered by the Court. The Solicitation Agent shall tabulate Ballots on a Debtor-by-Debtor basis;

c. consistent with the requirements of Local Bankruptcy Rule 3018-1, the Debtors will file a voting report (the "Voting Report") with the Court no less than three days prior to the Confirmation Hearing. The Voting Report shall, among other things, delineate every Ballot that does not conform to the voting instructions or that contains any form of irregularity including, but not limited to, those Ballots that are late or (in whole or in material part) illegible, unidentifiable, lacking signatures or lacking necessary information, received via facsimile, or damaged ("Irregular Ballots"). The Voting Report shall indicate the Debtors' intentions with regard to each Irregular Ballot;

d. the method of delivery of Ballots to be sent to the Solicitation Agent is at the election and risk of each holder and, except as otherwise provided, a Ballot will be deemed delivered only when the Solicitation Agent actually receives the executed Ballot;

e. an executed Ballot is required to be submitted by the Entity submitting such Ballot. Delivery of a Ballot to the Solicitation Agent by facsimile or any electronic means will not be valid;

f. no Ballot should be sent to the Debtors, the Debtors' agents (other than the Solicitation Agent), or the Debtors' financial or legal advisors, and if so sent will not be counted;

g. if multiple Ballots are received from the same holder with respect to the same Claim prior to the Voting Deadline, the last properly executed Ballot timely

received will be deemed to reflect that voter's intent and will supersede and revoke any prior received Ballot;

h. holders must vote all of their Claims within a particular Class either to accept or reject the Plan and may not split any votes. Accordingly, a Ballot that partially rejects and partially accepts the Plan will not be counted. Further, to the extent there are multiple Claims within the same Class, the applicable Debtor may, in its discretion, aggregate the Claims of any particular holder within a Class for the purpose of counting votes for numerosity;

i. a person signing a Ballot in its capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation, or otherwise acting in a fiduciary or representative capacity of a holder of Claims must indicate such capacity when signing;

j. the Debtors, subject to a contrary order of the Court, may waive any defects or irregularities as to any particular Irregular Ballot at any time, either before or after the close of voting, and any such waivers will be documented in the Voting Report;

k. neither the Debtors, nor any other Entity, will be under any duty to provide notification of defects or irregularities with respect to delivered Ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification;

l. unless waived or as ordered by the Court, any defects or irregularities in connection with deliveries of Ballots must be cured prior to the Voting Deadline or such Ballots will not be counted;

m. in the event a designation of lack of good faith is requested by a party in interest under section 1126(e) of the Bankruptcy Code, the Court will determine whether any vote to accept and/or reject the Plan cast with respect to that Claim will be counted for purposes of determining whether the Plan has been accepted and/or rejected;

n. subject to any order of the Court, the Debtors reserve the right to reject any and all Ballots not in proper form, the acceptance of which, in the opinion of the Debtors, would not be in accordance with the provisions of the Bankruptcy Code or the Bankruptcy Rules; *provided* that any such rejections will be documented in the Voting Report;

o. if a Claim has been estimated or otherwise Allowed only for voting purposes by order of the Court, such Claim shall be temporarily Allowed in the amount so estimated or Allowed by the Court for voting purposes only, and not for purposes of allowance or distribution;

p. if an objection to a Claim is filed, such Claim shall be treated in accordance with the procedures set forth herein;

q. a Ballot shall not be counted in determining the acceptance or rejection of the Plan if, among other things: (i) it is illegible or contains insufficient information

to permit the identification of the holder of the Claim; (ii) it was transmitted by facsimile or other electronic means; (iii) it was cast by an entity that is not entitled to vote on the Plan; (iv) it was cast for a Claim listed in the Debtors' schedules as contingent, unliquidated, or disputed for which the applicable Claims Bar Date has passed and no proof of claim was timely filed; (v) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (vi) it was sent to the Debtors, the Debtors' agents/representatives (other than the Solicitation Agent), an administrative agent (except as otherwise permitted by the Disclosure Statement Order), or the Debtors' financial or legal advisors instead of the Solicitation Agent; (vii) it is unsigned; or (viii) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan;

r. after the Voting Deadline, no Ballot may be withdrawn or modified without the prior written consent of the Debtors;

s. the Debtors are authorized to enter into stipulations with the holder of any Claim agreeing to the amount of a Claim for voting purposes; and

t. where any portion of a single Claim has been transferred to a transferee, all holders of any portion of such single Claim will be (i) treated as a single creditor for purposes of the numerosity requirements in section 1126(c) of the Bankruptcy Code (and for the other voting and solicitation procedures set forth herein), and (ii) required to vote every portion of such Claim collectively to accept or reject the Plan. In the event that (i) a Ballot, (ii) a group of Ballots within a Voting Class received from a single creditor, or (iii) a group of Ballots received from the various holders of multiple portions of a single Claim partially reject and partially accept the Plan, such Ballots shall not be counted.

E. Amendments to the Plan and Solicitation Procedures.

The Debtors reserve the right to make non-substantive or immaterial changes, consistent with the Plan Support Agreement, to the Disclosure Statement, Disclosure Statement Order, Plan, Ballots, Confirmation Hearing Notice, and related documents without further order of the Court, including, without limitation, changes to correct typographical and grammatical errors, if any, and to make conforming changes among the Disclosure Statement, the Plan, and any other materials in the Solicitation Package before their distribution.

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