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**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF HAWAII**

In re

POMARE, LTD.
dba Hilo Hattie,

Debtor and
Debtor-in-Possession

) BK. NO. 08-01448
) (Chapter 11)

) Disclosure Statement Hearing

) Date: July 13, 2009

) Time: 9:30 a.m.

) Judge: Hon. Robert J. Faris

**DISCLOSURE STATEMENT FOR CHAPTER 11 PLAN OF
REORGANIZATION DATED JUNE 26, 2009, FILED BY DEBTOR**

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I. INTRODUCTION

POMARE, LTD., dba Hilo Hattie, the debtor and debtor-in-possession herein (the "Debtor") has filed a chapter 11 plan of reorganization (the "Plan") to provide for the Debtor to emerge from bankruptcy. A copy of the Plan is attached hereto as Exhibit A. This Disclosure Statement is being sent to you by to help enable you to make an informed judgment about the Plan, and to solicit your acceptance of the Plan. Unless otherwise defined herein, all capitalized terms contained herein shall have the meanings ascribed to them in the Plan.

The Debtor believes that the Plan provides the greatest and earliest possible recovery to holders of Allowed Claims, that acceptance of the Plan is in the best interests of all parties, and that any alternative would result in further delay, uncertainty, expense, and, smaller distributions to holders of Allowed Claims. The Debtor believes the acceptance, confirmation and implementation of the Plan is in the best interests of creditors of the Debtor.

The United States Bankruptcy Court for the District of Hawaii (the "Bankruptcy Court") has scheduled a hearing on _____, 2009, at 9:30 a.m. to consider whether to confirm the Plan.

On _____, 2009, after notice and a hearing held on July 13, 2009, the Bankruptcy Court signed an order approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable

hypothetical, reasonable investors typical of the Debtor's creditors to make an informed judgment whether to accept or reject the Plan.

The Disclosure Statement order sets forth deadlines for voting to accept or reject the Plan and procedures to be followed to object to confirmation of the Plan. A ballot for the acceptance or rejection of the Plan is enclosed with the Disclosure Statement that is submitted to the holders of Claims whom are entitled to vote to accept or reject the Plan. In addition, voting instructions accompany each ballot.

Each holder of a Claim entitled to vote on the Plan should read the Disclosure Statement, the Plan, the notice of Confirmation Hearing and the instructions accompanying the ballots in their entirety before voting on the Plan. These documents contain, among other things, important information concerning the classification of Claims and Equity Interests for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

Attached as Exhibits to this Disclosure Statement are copies of the following:

- The Plan (Exhibit A);
- Unaudited Financial Statements for the Debtor for the period 2008

and year-to-date, 2009 (Exhibit B); and

- The Debtor's Preliminary Financial Projections for the fiscal years 2010 through 2014 (the "Projections") (Exhibit C).

A. Purpose of Disclosure Statement

The Bankruptcy Code requires that a proponent of a reorganization plan prepare and file with the Bankruptcy Court a "disclosure statement" that provides information of a kind, and in sufficient detail, that would enable a typical holder of claims or equity interests in a class impaired under that plan to make an informed judgment with respect to the plan. This Disclosure Statement provides such information, as well as information regarding the deadlines for casting ballots with respect to the Plan, the deadlines for objecting to confirmation of the Plan, the requirements that must be satisfied in order for the Bankruptcy Court to confirm the Plan, and other relevant information. Parties in interest should read this Disclosure Statement, the Plan, and all of the accompanying exhibits in their entirety in order to determine:

- How the Plan will affect their Claims against and Equity Interests in the Debtor;
- Their rights with respect to voting for or against the Plan;
- Their rights with respect to objecting to confirmation of the Plan; and
- How and when to cast a ballot with respect to the Plan.

The Disclosure Statement, however, cannot and does not provide holders of Claims and Equity Interests with legal or other advice. You should consult with your lawyers and/or financial advisors to obtain specific advice regarding how the Plan will affect you and regarding your best course of action with respect to the Plan.

B. Holders of Claims Entitled to Vote

Holders of Claims in Classes 3, 8 and 9 (collectively the “Voting Classes”) are entitled to vote on the Plan because such Classes are: (i) impaired under the Plan within the meaning of section 1124 of the Bankruptcy Code; and (ii) may receive distributions of property under the Plan and therefore are not deemed to have rejected the Plan under Section 1126(g) of the Bankruptcy Code.

Each holder of an Allowed Claim in Class 1, 2, 4A, 4B, 5A, 5B, 5C, 6 and 7 is deemed to have accepted the Plan because holders of Allowed Claims in these Classes are unimpaired. Each holder of an Allowed Claim in Class 10 is deemed to reject the Plan and each holder of an Allowed Equity Interest in Class 11 is deemed to reject the Plan because holders of an Allowed Claim in Class 10 or Allowed Equity Interests in Class 11 will receive no distribution under the Plan.

The Bankruptcy Court may confirm the Plan only if at least one Class of impaired Claims has voted to accept the Plan (without counting the votes of any insiders whose Claims are classified within that Class) and if certain statutory

requirements are met as to both non-consenting members within a consenting Class and as to dissenting Classes. A Class of Claims has accepted the Plan only when at least one-half in number and at least two-thirds in amount of the Claims actually voting in that Class vote in favor of the Plan.

In the event of a rejection of the Plan by one or more Voting Classes, the Debtor intends to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code, which permits confirmation notwithstanding such rejection if the Bankruptcy Court finds that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to the rejecting Classes.

C. Voting Procedures

1. Voting Procedures And Deadlines

The Debtor has provided copies of this Disclosure Statement and ballots (which include detailed voting instructions) to all known holders of impaired Claims in the Voting Classes. Those holders of a Claim in a Voting Class who seek to vote to accept or reject the Plan must complete the enclosed ballot and return it to:

Wagner Choi & Verbrugge
Chuck C. Choi
745 Fort Street, Suite 1900
Honolulu, Hawaii 96813
Telephone: (808) 533-1877

so that it actually is received by no later than the Balloting Deadline (as defined below). Creditors are encouraged to read and review their ballots carefully.

All ballots must be completed, signed, returned to, and actually received by Wagner Choi & Verbrugge by no later than _____, 2009, at 4:00 p.m., Hawaiian Standard Time (the “Balloting Deadline”). Ballots received after the Balloting Deadline, and ballots returned directly to the Bankruptcy Court, will not be counted in connection with confirmation of the Plan.

2. Date Of The Confirmation Hearing And Deadlines For Objection To Confirmation Of The Plan

The hearing to determine whether the Bankruptcy Court will confirm the Plan (the “Confirmation Hearing”) will commence on _____, 2009, at 9:30 a.m. in the Courtroom of the Honorable Robert J. Faris, United States Bankruptcy Judge for the District of Hawaii. The Confirmation Hearing may be continued from time to time by announcement in open court without further notice.

Any objections to confirmation of the Plan must be filed with the Bankruptcy Court and served on the following entities no later than _____, 2009:

- (a) Pomare, Ltd., 700 North Nimitz Highway, Honolulu, Hawaii 96817, Attention: Mark Storfer;
- (b) Wagner Choi & Verbrugge, Topa Financial Tower, 745 Fort Street, Suite 2900, Honolulu, Hawaii 96813. Counsel to Debtor;

- (c) Case Lombardi & Pettit, 737 Bishop Street, Suite 2100, Honolulu, Hawaii 96813. Counsel to Unsecured Creditors' Committee;
- (d) Office of the United States Trustee, Attention: Curtis B. Ching, Esq., 1132 Bishop Street, Suite 602, Honolulu, Hawaii 96813.

Objections that are not timely filed and served may not be considered by the Bankruptcy Court. Please refer to the accompanying notice of the Confirmation Hearing for specific requirements regarding the form and nature of objections to confirmation of the Plan.

3. Important Notice And Cautionary Statement

The historical financial data relied upon in preparing the Plan and this Disclosure Statement are based upon the Debtor's books and records. The liquidation analysis, estimates, and other financial information referenced in this Disclosure Statement or attached hereto as exhibits have been developed by the Debtor and its professional advisors. Although these professional advisors assisted in the preparation of this Disclosure Statement, in doing so such professionals relied upon factual information and assumptions regarding financial, business, and accounting data provided by the Debtor and third parties, most of which information has not been audited. The professional advisors of the Debtor have not independently verified such information and, accordingly, make no representations as to its accuracy. Moreover, although reasonable efforts have

been made to provide accurate information, the Debtor cannot warrant or represent that the information in this Disclosure Statement, including any and all financial information, is without inaccuracy or omissions, or that actual values or distributions will comport with the estimates set forth herein.

No Person may rely upon the Plan or this Disclosure Statement or any of the accompanying exhibits for any purpose other than to determine whether to vote in favor of or against the Plan. Nothing contained in such documents constitutes an admission of any fact or liability by any party, and no such information will be admissible in any proceeding involving the Debtor or any other Person, nor will this Disclosure Statement be deemed evidence of the tax or other legal effects of the Plan on holders of Claims or Equity Interests in the Bankruptcy Case.

II. BACKGROUND INFORMATION

A. History and Events Leading to Bankruptcy

The Debtor was formed in 1967 by James Romig for the purpose of manufacturing, wholesaling, and retailing of garments, home furnishings, and souvenirs. Mr. Romig was the controlling stockholder and chief executive of the Debtor through July 10, 2008. During this period, Hilo Hattie established itself as one of the best known local brands for tourist wear, accessories, and gift items in the State of Hawaii and nationally.

Due to various factors, including an outdated business model and overexpansion to the mainland, the Debtor experienced financial difficulties for many years prior to the Petition Date. On July 11, 2008, TOC, Inc., a Nevada corporation (“TOC”), acquired all of the outstanding the Debtor. TOC is owned by North Tustin Partners, Inc. (“NTP”), and G & M Crandall Family Limited Partnership.

Pursuant to a pre-closing agreement, TOC took control of the Debtor on or about May 9, 2008, and began the reorganization of the Debtor’s affairs, including the replacement of key personnel. John Scott who had served as Senior Vice President was brought back as President. Mark Storfer, formerly Senior Vice President, Operations of Liberty House, was installed as Secretary and Treasurer of the company to restore the integrity of the ‘back-office’ operations and for his real estate expertise. Ted Nelson took over as Chief Executive Officer. Craig Bingham was later named Chief Financial Officer.

Even before closing, the new management team undertook efforts to restructure the Debtor’s financial affairs. Management reached an informal agreement with its vendors for the restructuring of approximately \$6.5 million in unsecured debt over a period ranging from one to four years and implemented that program commencing June 1, 2008. Pursuant to the informal workout, the Debtor’s trade debt was restructured into installment payments of approximately

\$162,000 per month payable over the next one to four years depending on the size of the unsecured creditors' claim.

New management was also successful in negotiations with its major concession operator, Maui Divers of Hawaii, Ltd. ("Maui Divers"), pursuant to which Maui Divers advanced the Debtor approximately \$1.25 million, which allowed the Debtor to retire its debt to Central Pacific Bank ("CPB"), which held a blanket security interest in the Debtor's personal property and a first priority mortgage on the Debtor's interest in a long-term lease of approximately 84,678 square feet of rentable space located at 700 North Nimitz Highway, Honolulu, Hawaii (the "Nimitz Property"). Maui Divers' pre-petition claim is secured by that certain Concession Agreement dated October 19, 2001, between the Debtor and Maui Divers, as amended (the "Concession Agreement").

Unfortunately, due to the global financial uncertainties, historic oil price levels, the contraction of the U.S. economy, and the resultant weakening of Hawaii's tourist driven economy, these additional efforts to restructure the Debtor's liabilities were not sufficient to permit the Debtor to avoid seeking relief under chapter 11 of the Bankruptcy Code.

B. Bankruptcy Filing and Creditors as of Petition Date.

On October 2, 2008 (the "Petition Date"), the Debtor commenced this case by filing a voluntary petition for reorganization under chapter 11 of the Bankruptcy

Code in the United States Bankruptcy Court for the District of Hawaii (the “Court”).

As of the Petition Date, the Debtor employed approximately 265 full and part-time employees, and operated 9 retail outlets located in Hawaii and California as follows: (a) the Ala Moana Shopping Center (the “Ala Moana Store”), (b) the Prince Kuhio Plaza in Hilo, Hawaii (the “Hilo Store”), (c) on Kuhio Highway, in Lihue, Kauai (the “Lihue Store”), (d) the Piilani Shopping Center in Kihei, Maui (the “Kihei Store”), (e) in Kailua-Kona (the “Kona Store”) (f) the Lahaina Center, Lahaina, Maui (the “Lahaina Store”), (g) at 700 Nimitz Highway near downtown Honolulu, (h) at The Block at Orange, in Anaheim, California, and (i) in the Gaslamp Quarter in San Diego, California. The Debtor also had a distribution warehouse located at 80 Sand Island Access Road, Honolulu, Hawaii, and an interest in a long term lease at the Royal Hawaiian Center in Waikiki.

The Debtor has no general pre-petition secured creditor that holds a blanket security interest over its assets or any creditors holding a security interest in the Debtor’s real estate leases.

As of the Petition Date, the Debtor was a party to purchase money security agreements with Tori Richards, Ltd.; Iolani Sportswear, Inc.; and DBI Hawaii, Ltd. (collectively, the “Purchase Money Secured Creditors”) who held security interests

in goods they delivered for sale by the Debtor. The total amount due the Purchase Money Secured Creditors was approximately \$111,634 as of the Petition Date.

C. Post-petition Developments

1. DIP Financing Motion

On the Petition Date, the Bankruptcy Court conducted hearings on various first day motions (such as motions seeking permission to pay pre-petition wages and to honor pre-petition customer merchandise credits). The Bankruptcy Court also held an interim hearing on the Debtor's Motion for Order Authorizing Debtor to Obtain Interim Post-petition Financing on a Secured and Superpriority Basis and Scheduling a Final Hearing on the Motion (the "DIP Financing Motion") pursuant to which Debtor sought interim authority to borrow up to \$250,000 of a proposed \$5,000,000 line of credit from NTP to be secured by a lien on substantially all of the Debtor's personal property and a first priority mortgage on the Debtor's leasehold interest in the Nimitz Property.

The Office of the United States Trustee ("UST") objected to the DIP Financing Motion, arguing, among other things, that because NTP is an insider, the loan should be treated as a capital contribution, or alternatively, the loan should only be granted administrative priority status rather than secured status.

The Bankruptcy Court overruled the UST's objections and approved the DIP Financing Motion on an interim basis. However, the Bankruptcy Court limited

certain default remedies in the proposed credit agreement, including the remedy of automatic relief from the stay and a default being triggered upon the Debtor merely seeking (as opposed to obtaining) alternate financing. The Bankruptcy Court also specifically required (because the loan agreement was unclear) that the Debtor's avoidance claims be excluded from NTP's collateral.

2. *Appointment of Committee, Professionals and Further Hearings on DIP Financing Motion.*

On October 9, 2008, the UST appointed a nine-member Committee consisting of Maui Divers, Royal Hawaiian Creations, Paul deVille, Kenneth Uemura, Island Import Co., Inc., Hagadone Hawaii, Inc., Trade West, Inc., The Madden Corp., and Lena Young. Paul deVille, Kenneth Uemura and Lena Young are former employees of the Debtor.

The Committee selected Paul deVille and Bob Taylor, the President of Maui Divers, as co-chairs. Since then, The Madden Corp., Royal Hawaiian Creations and Maui Divers have resigned from the Committee. The Committee has retained the firm of Case Lombardi & Pettit as its counsel and Thomas T. Ueno as its accountants. The Debtor has retained Wagner Choi & Verbrugge as its counsel and KMH LLP as accountants.

The Committee opposed on the DIP Financing Motion on various grounds, including arguing that a loan by a majority shareholder (NTP) should be re-characterized as a shareholder capital contribution

On October 23, 2008, the Bankruptcy Court approved the DIP Financing Motion on a “second interim” basis, and authorized the Debtor to borrow up to \$500,000 without the consent of the Committee and an additional \$1 million with the Committee’s written consent.

The Bankruptcy Court continued the final hearing on the DIP Financing Motion to November 13, 2008, to allow the Debtor and the Committee to negotiate further. On November 13, 2008, the Bankruptcy Court approved the DIP Financing Motion on a final basis after the Debtor agreed to limit drawings on the loan line for construction at the Debtor’s proposed new flagship store at the Royal Hawaiian Center to \$1.5 million. The Bankruptcy Court entered its Final Order Authorizing Debtor to Obtain Post-Petition Financing on a Secured and Superpriority Basis (the “Final DIP Order”) on December 8, 2008.

The budget which controls the Debtor’s borrowing under the NTP loan projected sales for the 10-week period from October 4, 2008 to December 6, 2008 of just below \$7.2 million. However, the Debtor’s actual sales for this period totaled \$6.1 million and consequently the Debtor has not been eligible to draw on the NTP loan.

Nevertheless, after acquiring NTP's position as DIP lender (as described further below), on June __, 2009, Donald B.S. Kang, the owner of Royal Hawaiian Creations, advanced \$1 million to the Debtor pursuant to the terms of the Final DIP Order and related documents. The Plan provides that the \$1 million advance will be satisfied through issuance of the New Common Stock in the Reorganized Debtor to Mr. Kang.

3. *Royal Hawaiian Center Lease and LOI with KSBE*

Pursuant to a Lease dated December 23, 2005, as amended by a First Amendment to Lease dated February 10, 2006, between the Trustees of the Estate of Bernice Pauahi Bishop aka Kamehameha Schools ("KSBE") as lessor and the Debtor as lessee (the "RHC Lease"), the Debtor leased approximately 28,993 square feet of retail space in "Building C" of the Royal Hawaiian Center, located at 2301 Kalakaua Avenue, Honolulu, Hawaii 96815.

The Lease was negotiated by Paul deVille during his tenure as President of the Debtor. Under the RHC Lease, the landlord and tenant agreed that, upon opening, the new Hilo Hattie store at the Royal Hawaiian Center would be the new "flagship" Hilo Hattie Store. Before TOC's involvement, KSBE and the Debtor were embroiled in a dispute regarding alleged defaults under the terms of the Lease. However, soon after the Petition Date, the Debtor and KSBE reached an agreement (the "LOI") settling their disputes and agreeing to a schedule for the

completion of improvements for the premises covered by the RHC Lease. Pursuant to an order entered on November 16, 2008, the Bankruptcy Court approved the LOI which was supported by the Committee.

The Debtor completed the interim improvement work required by the LOI. However, the Debtor did not satisfy the obligation under the LOI to obtain a financing commitment to complete the build-out of the space by February 1, 2009. Consequently, the Debtor's interest in the RHC Lease was deemed rejected under Bankruptcy Code section 365(d)(4).

4. Status of Real Estate Leases

Shortly after the Petition Date, the Debtor hired Colliers Monroe Friedlander to market the Debtor's interest in the Nimitz Property which the Debtor believes is its most valuable asset. The Debtor has assumed the lease for the Nimitz Property.

Pursuant to an order entered on January 28, 2009, the Bankruptcy Court granted the Debtor's motion for a 90-day extension of the deadline under section 365(d)(4) of the Bankruptcy Code to assume or reject most of its remaining unexpired nonresidential leases to and including April 30, 2009. The Debtor did not extend the deadline for its sandwich lessee position under a lease dated April 30, 1984 for certain premises in Emma's Market Place in Kailua-Kona, Hawaii, which is in turn subleased by the Debtor to an ABC store.

The Bankruptcy Court has approved stipulated consents of the landlords for the Lihue Store (including a separate adjacent parking lot), the Lahaina Store, the Kihei Store and the Kona Store, to extend the deadline for assumption/rejection of real property leases until July 31, 2009. General Growth Properties (“GGP”), the owner and manager for the Ala Moana Store and Hilo Store, respectively, has consented to an extension of the deadline under section 365(d)(4) of the Bankruptcy Code to and including June 30, 2009.

Since the Petition Date, the Debtor has rejected its leases for the following leases of non-residential real property: (a) the San Diego store, effective as of November 10, 2008; (b) the Sand Island warehouse lease, effective as of December 31, 2008; and (c) the Orange County store effective as of January 15, 2009. Upon closing of the Sand Island warehouse, the Debtor consolidated its distributions at the Nimitz Property.

The Debtor now operates seven retail outlets in Hawaii (the Nimitz Property store, the Ala Moana Store, the Kihei Store, the Lihue Store, the Lahaina Store, the Kona Store and the Hilo Store) with approximately 200 employees.

On June 26, 2009, the Debtor filed its motion to assume its interest as lessee for the six retail stores (the lease for the Nimitz Property having been assumed) and the parking lot for the Lihue Store.

5. *Status of Capital Equipment Leases and CPB Stipulation*

As of the Petition Date, the Debtor was a party to three large capital lease agreements with Central Pacific Bank (“CPB”), Bank of Hawaii (“BOH”), and First Hawaiian Leasing Inc. (“FHL”). The lessors held duly perfected security interests in the leased equipment. The total amount due on the Debtor’s capital leases was approximately \$2,384,000 as of the Petition Date.

As of the Petition Date, the Debtor also held cash in various accounts at CPB totaling approximately \$703,763. On October 3, 2008, CPB asserted an administrative freeze on the Debtor’s cash. The parties reached a settlement which, among other things, called for CPB to release the cash in return for a second priority mortgage on the Nimitz Property.

In connection with the CPB settlement the Debtor also assumed its obligations under the Master Lease Agreement No. 047-0006031 dated February 22, 2007 (covering a point of sale system and certain servers) between CPB as lessor and the Debtor as lessee. The Debtor subsequently reached agreement with CPB for the deferral of monthly rent due under the CPB Master Lease Agreement. The total outstanding under the CPB Master Lease Agreement is approximately \$840,000.

Pursuant to an order entered on March 18, 2009, the Bankruptcy Court authorized the Debtor’s rejection of eight of ten GE Commercial Finance

equipment leases covering copiers and forklifts, effective as of February 19, 2009.

Pursuant to an order entered on April 7, 2009, the Bankruptcy Court approved the Debtor's motion to reject its capital leases (covering, certain furniture, telephone systems, merchandising software and vehicles) with FHL effective as of March 12, 2009. However, the Bankruptcy Court subsequently amended the effective date of the rejection and also ordered continued payments of lease rents by the Debtor pending surrender of all of the FHL equipment.

Pursuant to a Stipulated Order Authorizing Debtor's Rejection of Bank of Hawaii Leases and Granting Relief From Automatic Stay entered on January 8, 2009, the Bankruptcy Court approved a stipulation between the Debtor and BOH pursuant to which the Debtor rejected certain equipment leases (covering min-buses used on the outer islands) and allowing BOH to setoff its claim against that approximately \$92,000 of the Debtor's funds on deposit at BOH..

6. *Pending Motions by the Committee and UST.*

On April 13, 2009, the Committee filed its Motion for Appointment of Trustee (the "Trustee Motion"). The Committee argued that a chapter 11 trustee should be appointed to either reorganize the Debtor's affairs or to sell the business.

On April 24, 2009, the UST filed its Motion to Convert Chapter 11 Case to Chapter 7 or Dismiss Case (the "Conversion Motion") seeking to have the Debtor's chapter 11 reorganization case converted to a chapter 7 liquidation or

alternatively, for the dismissal of the case on the grounds that the business has continued to suffer post-petition losses.

The Debtor opposed the Trustee Motion and argued that a chapter 11 trustee would simply convert the reorganization case to a liquidation case due to the Debtor's continuing losses, thereby eliminating any potential reorganization of the Debtor.

On May 11, 2009, the Bankruptcy Court held a hearing on the Trustee Motion. After considering the arguments of counsel, the Bankruptcy Court continued the hearing on the Trustee Motion to June 22, 2009, the date set for the UST's Conversion Motion.

7. *Sale Efforts and Motion to Sell Business by Committee and Transfer of Debtor's Stock*

The Committee has actively sought to find a buyer for the Debtor's assets since the Petition Date. While the Debtor has cooperated with the Committee's efforts to find a buyer for the Debtor's assets and provided due diligence information requested by the Committee and Maui Divers, the Debtor believes that Confirmation of the Plan will provide a greater distribution to creditors than a sale of assets. The Debtor understands that the Committee has received two written offers for the Debtor's assets. The first offer was made to the Committee by Kona Mountain Coffee in February, 2009, seeking to purchase substantially all of the

Debtor's assets for \$250,000 in cash plus deferred payments of up to \$950,000. To the best of the Debtor's knowledge, Kona Mountain Coffee is not interested in acquiring the Debtor's assets.

On May 19, 2009, one week after the Bankruptcy Court declined to appoint a chapter 11 trustee at the hearing on the Committee's Trustee Motion, the Committee filed its Motion for Order Authorizing and Confirming (I) Sale of Debtor's Personal Property Free and Clear of Liens, Pursuant to 11 U.S.C. § 363; and (II) the Assumption and Assignment of Leases and Executory Contracts Pursuant to 11 U.S.C. § 365 (the "Sale Motion") seeking to compel the Debtor to sell substantially all of its assets to Maui Divers for \$1 million.

Pursuant to the Sale Motion, the Committee seeks to compel the sale of substantially all of the Debtor's assets, including its store leases, contracts, inventory and intellectual property, free and clear of liens and encumbrances, to Maui Divers. The Debtor and other parties in interest filed oppositions to the Sale Motion. The Debtor's principal objection to the sale is based on the fact that the proposed purchase price is not sufficient to satisfy approximately \$3.5 million in accrued administrative and secured claims.

The hearing on the Sale Motion was scheduled for June 22, 2009. On June 19, 2009, all of the Debtor's outstanding stock was transferred by TOC to Donald B.S. Kang, the owner of Royal Hawaiian Creations. At the same time, Mr. Kang

obtained an assignment of NTP's rights under the Final DIP Order and related documents. Ted Nelson and John Scott resigned as CEO and President of the Debtor respectively, and Donald B.S. Kang assumed the duties of CEO and President for the Debtor. In addition, Mark Storfer, the Secretary and Treasurer of the Debtor, was named Chief Operating Officer and Executive Vice President of the Debtor.

At the June 22, 2009 hearing on the Sale Motion, the Conversion Motion and the Trustee Motion, the Debtor requested a brief adjournment of the matters. The Committee and Maui Divers asked the Court to approve the Sale Motion, but the Court continued the hearing on the three motions to June 29, 2009.

8. *Post-petition Losses and Cost-Cutting Efforts*

The Debtor's gross sales have trended downward for the past few years. Gross sales for the fiscal year ended October 7, 2006 were approximately \$69 million, Gross sales for the fiscal year ended October 7, 2007, were approximately \$55 million. Gross sales were approximately \$42 million for fiscal year ended October 4, 2008.

In early October, 2008, the Debtor finalized its budget for post-petition operations. At that time, the Debtor believed the budget was conservative and achievable. However, the Debtor's sales for the 10-week period ending December 6, 2008, in fact were almost \$1 million lower than projected. In hindsight the

Debtor (like most other businesses reliant on visitors) did not anticipate the severity of the downturn in Hawaii's visitor arrivals. The adverse impact of lower visitor numbers have been compounded by reduced spending by visitors who are the Debtor's primary customers.

Because the Debtor failed to meet projected sales and cash flow figures, the Debtor was not eligible for advances under the DIP facility. Rather than to seek any draws under the DIP facility (which would further leverage the business) the Debtor aggressively sought to try to achieve a "cash flow neutral" position by cutting costs.

In December, the Debtor cut its administrative staff by nearly half and laid off 34 employees, thereby paring annual payroll by approximately \$1.6 million. In addition, two senior managers (John Scott and Craig Bingham) took compensation adjustments totaling approximately \$93,000 per annum.

The Debtor also successfully negotiated rent concessions from its landlords in the form of rent abatement or deferrals. Agreements have been reached with The Harry and Jeannette Weinberg Foundation (the "Weinberg Foundation"), which directly or indirectly leases the Debtor's Lahaina Store, the Lihue Store and the Nimitz Property, to defer a substantial portion of the rents due to the Weinberg Foundation. Furthermore, the Weinberg Foundation has agreed that unpaid rents

in excess of \$1 million due under these leases, which would otherwise have to be paid in full at confirmation, can be paid in installments over ten years.

Similarly, James Romig, whose entities control the sandwich landlord position on the Debtor's leases for the Kihei Store and the Kona Store, has agreed to abatement of certain post-petition rent due under these leases. Negotiations with GGP over rent abatement, and the terms of payment of delinquent rent at the Debtor's Ala Moana and Hilo stores have also concluded. As part of its agreement with GGP, the Debtor has agreed to assume the leases for the Ala Moana and Hilo stores. However, GGP has agreed that the Debtor may terminate the leases for these two stores upon giving six months' written notice.

D. Current Financial Condition

As shown in the attached financials, the Debtor posted an operating loss of \$5.4 million before taxes with EBITDA (earnings before income taxes, depreciation and amortization) of minus \$3.1 million for the fiscal year ending October 4, 2008.

Although the Debtor has negotiated terms with the Weinberg Foundation and GGP for the payment of over \$1.2 million in administrative rent over time, the Debtor will not be able to satisfy the remaining Allowed Administrative Expense Claims in full on the Effective Date, and will not be able to emerge from chapter 11 unless capital or financing is obtained to pay such administrative claims and

provide operating capital. Fortunately, the Debtor has received \$1 million loan on June __, 2009 from Donald B.S. Kang. The Debtor will receive an additional \$2 million in working capital on the Effective Date of the Plan from Mr. Kang as a capital contribution and not as a loan.

E. Post-Confirmation Payment of U.S. Trustee's Quarterly Fees

The Debtor shall pay any and all accrued post-petition U.S. Trustee's quarterly fees, including any such fees that accrue after the confirmation of the Plan.

F. Post-Confirmation Management

Most members of the Debtor's current management and will continue to oversee its operations post-confirmation. The current officers of the Debtor are: (a) Donald B.S. Kang, Chief Executive Officer and President; (b) Mark Storfer, Chief Operating Officer and Executive Vice President; (c) Craig Bingham, Chief Financial Officer, Executive Vice President and Treasurer; and (d) David Jung, Executive Vice President and Secretary; and (e) Terri Funakoshi, Executive Vice President of Merchandising.

Donald B.S. Kang, the founder and owner of Royal Hawaiian Creations and the new owner of the Debtor, has been in the apparel business for over 30 years, conducting business in the wholesale, retail, and e-commerce platforms. He also has product line in both softlines and hardlines, which complements the Debtor's

retail merchandise mix. Among many of its state and international recognitions, Royal Hawaiian Creations earned the distinction of “Vendor of the Year” from the Debtor in 2006. Royal Hawaiian Creations’ gross sales in 2008 (excluding Indonesia) exceeded \$6 million. It employs 23 full-time employees in Hawaii. In addition to its manufacturing and wholesaling facility in Hawaii, Royal Hawaiian Creations maintains its own manufacturing facility in Solo, Indonesia with capacity to produce one million garments annually and employing 260 employees. Mr. Kang is also a past President of the Waikiki Retail Merchants Association.

Mark Storfer has held senior management positions for several high profile apparel and retail corporations, including Liberty House, Guess Jeans, Inc., and Bugle Boy Industries. Mr. Storfer is a licensed real estate agent in Hawaii and manages the commercial real estate division at Choi International. Mr. Storfer joined the Debtor in 2008.

David Jung holds a J.D. from the University of Maryland. From 1999 to 2007, as the Chief Operating Officer and General Counsel for Greater Pacific, LP, a Hawaii real estate development company, Mr. Jung was responsible for the day to day operations of the company’s acquisition and development activities. Mr. Jung, along with Mr. Kang, is a founding member and Director of Ohana Pacific Bank, and he serves on the compensation and audit committee at the bank.

Craig Bingham holds an M.B.A. from Brigham Young University. From 2002 to 2005, Mr. Bingham was Vice President of Finance and Administration at privately owned holding company with equity and debt investments in retail, real estate, and service industries. From 2005 to 2008, Mr. Bingham was the Director of Financial Planning at Paciolan, Inc., a Ticketmaster subsidiary. Mr. Bingham joined the Debtor in 2008.

Terri Funakoshi joined the Debtor in 2001 as a buyer, and has held various positions at the Debtor, including General Manager Corporate Sales and Uniform 2003-2005, Senior Product Development Manager 2005-2007, Divisional Merchandise Manager 2007-2008, and General Merchandise Manager 2008-2009. Ms. Funakoshi earned a B.S. degree in fashion design and merchandising from the University of Hawaii at Manoa.

III. SUMMARY OF THE PLAN

The Discussion of the Plan set forth below is qualified in its entirety by reference to the Plan, the terms of which are controlling. Holders of Claims and Interests and other interested parties are urged to read the Plan in its entirety so that they may make an informed judgment concerning the Plan.

1. Classification and Treatment of Claims and Equity Interests

The Plan provides for the treatment of 10 Classes of Claims and 1 Class of Equity Interests. The treatment of Claims described below applies only to Allowed

Claims and Equity Interests. Claims that are the subject of a pending objection before the Bankruptcy Court or other pending litigation, or that have not been allowed pursuant to a Final Order of the Bankruptcy Court, will receive distributions under the Plan only if and after they become Allowed Claims. The Reorganized Debtor retains the right to initiate proceedings to subordinate or otherwise object to Claims prior to the proposed deadline of 180 days from the Effective Date.

2. *Administrative Expenses (Unclassified Claim)*

The Plan provides that the Reorganized Debtor shall pay to each holder of an Allowed Administrative Expense, Cash in an amount equal to such Allowed Administrative Expense on the later of the Effective Date and the date such Administrative Expense becomes an Allowed Administrative Expense, or on such different terms as may be acceptable to the holder of the Allowed Administrative Expenses. In the case of goods and services provided to the Debtor in the ordinary course of its business during the Chapter 11 Case from the Petition Date through and including the Effective Date in the ordinary course of business, such ordinary course of business Administrative Expenses shall be paid upon the date upon which such liability is payable in the ordinary course of the Debtor's business, consistent with past practices.

The Confirmation Order shall contain a bar date for purposes of assertion and allowance of Administrative Expense Claims, other than Administrative Expenses which are Ordinary Course Administrative Expenses. The Confirmation Order shall also contain a deadline for the Reorganized Debtor to object to Administrative Expense Claims, including Ordinary Course Administrative Expenses.

The Debtor estimates that there are over \$3.0 million in accrued administrative claims, including the following: (a) landlords: \$1.6 million (including pre-petition rents that must be cured); (b) delinquent vendors or service providers (including equipment leases): \$700,000; (c) professionals: \$150,000; (d) reclamation claims: \$300,000; and (e) current employee payroll: \$200,000. However, the Debtor estimates that less than one third of this total must be satisfied in full on the Effective Date because the major landlords have agreed to installment payment terms and certain current obligations such as payroll and vendor/service providers will be paid in the ordinary course of business in accordance with terms.

3. *Priority Tax Claims (Unclassified Claim)*

The Allowed Priority Tax Claim held by any taxing authority relating to any taxable year shall be the lesser of: (a) the Allowed Claim held by such entity; (b) the estimated claim amount held by such entity, if estimated by the Bankruptcy

Court for purposes of allowance; or (c) the amount of such claim as determined by any administrative or judicial tribunal of competent jurisdiction before which such issue is brought by final order or as compromised and settled by the Reorganized Debtor and such taxing authority.

Each holder of an Allowed Priority Tax Claim shall receive on account of such Claim regular installment payments in Cash (i) of a total value, as the Effective Date, equal to the Allowed amount of such Claim, (ii) over a period not later than five years from the Petition Date; and (iii) at a 3.00% interest rate per annum or such other rate as may be approved to by the parties.

The Debtor believes that the State of Hawaii, Department of Taxation and the California Board of Equalization hold valid priority tax claims in the approximate amount of \$137,000. The Internal Revenue Service also recently asserted a priority tax claim in the amount of \$250,000 which the Debtor disputes.

4. Class 1 – Other Priority Claims

The Plan classifies all Other Priority Claims in Class 1. Except to the extent that the holder of an Allowed Other Priority Claim agrees to a different treatment, the holder of an Allowed Other Priority Claim shall receive on account of such Allowed Claim, Cash in the amount equal to the holder's Allowed Claim, on the later of (a) the Effective Date; and (b) the date on which an order allowing such

Claim becomes a Final Order, and, in each case, or as soon thereafter as is practicable.

Class 1 is unimpaired and the holders of Claims in Class 1 are deemed to accept the Plan and are not entitled to vote to accept or reject the Plan. The Debtor is not aware of any Other Priority Claims.

5. *Class 2 - Employee Priority Claims*

The Plan classifies all Employee Priority Claims in Class 2. The Debtor estimates that there is a total of approximately \$290,000, in accrued pre-petition vacation pay, of which approximately \$200,000 is due to current employees.

Except to the extent that the holder of an Allowed Employee Priority Claim agrees to a different treatment, the holder of an Allowed Employee Priority Claim who is not employed by the Debtor as of the Effective Date shall receive on account of such Allowed Claim, Cash in the amount equal to the holder's Allowed Claim, 30 days after the later of (a) the Effective Date; and (b) the date on which an order allowing such Claim becomes a Final Order, and, in each case, or as soon thereafter as is practicable. Except to the extent that the holder of an Allowed Employee Priority Claim agrees to a different treatment, the holder of an Allowed Employee Priority Claim who is employed by the Debtor as of the Effective Date

shall have such Allowed Employee Priority Claim reinstated and assumed by the Reorganized Debtor as of the Effective Date.

Class 2 is unimpaired and the holders of Claims in Class 2 are deemed to accept the Plan and are not entitled to vote to accept or reject the Plan.

6. Class 3 –Secured Claim of NTP

The Plan classifies the secured claim of NTP (now held by Donald B.S. Kang) in Class 3. In complete satisfaction, discharge, exchange and release of NTP's Allowed Secured Claim, Mr. Kang will receive the New Common Stock of the Reorganized Debtor. The NTP Secured Claim is in the original principal amount of \$1 million.

Class 3 is impaired and NTP is entitled to vote to accept or reject the Plan.

7. Classes 4A and 4B - Secured Claims of CPB

The Plan classifies the Secured Claims of CPB in two subclasses under Class 4.

Class 4A consists of the Secured Claim of CPB which is secured by a second priority mortgage on the Debtor's interest in the Nimitz Property (the "CPB Real Estate Secured Claim").

The CPB Real Estate Secured Claim, in the approximate amount of \$703,763, shall be reinstated on the Effective Date. Class 4A is unimpaired, and

CPB is deemed to accept the Plan and is not entitled to vote to accept or reject the Plan.

Class 4B consists of the Secured Claim of CPB which is secured by certain personal property as described in that certain Master Lease Agreement No. 047-0006031, dated February 22, 2007 between CPB as lessor and the Debtor as lessee, as amended (the "CPB Personal Property Secured Claim").

Unless CPB and the Debtor agree to a different treatment, CPB shall receive, payments in accordance with the provisions of the Master Lease Agreement No. 047-0006031, dated February 22, 2007 between CPB as lessor and the Debtor as lessee, as amended. Class 4B is unimpaired, and CPB is deemed to accept the Plan and is not entitled to vote to accept or reject the Plan.

8. *Classes 5A, 5B and 5C- Secured Claims of Purchase Money*

Secured Creditors

The Plan classifies the Secured Claims of the three Purchase Money Secured Creditors, DBI Hawaii, Ltd., Iolani Sportswear, Inc., and Tori Richards, Ltd., respectively, in three subclasses, Classes, 5A, 5B and 5C, respectively. The Purchase Money Secured Creditors are owed a total of approximately \$12,000 at any given time.

Unless a Purchase Money Secured Creditor and the Debtor agree to a different treatment, the Purchase Money Secured Creditor shall receive payments

in accordance with the provisions of the any agreement relating to the property, on substantially the same terms as such agreement.

Classes 5A, 5B and 5C are unimpaired, and DBI Hawaii, Ltd., Iolani Sportswear, Inc., and Tori Richards, Ltd., respectively, are deemed to accept the Plan and are not entitled to vote to accept or reject the Plan.

9. *Class 6 –Maui Divers Secured Claim*

The Plan classifies the Secured Claim of the Maui Divers in Class 6. As noted above, the principal balance of Maui Diver's secured claim is \$1.25 million as of the Petition Date.

Unless Maui Divers and the Debtor agree to a different treatment, Maui Divers shall receive, 30 days after the Effective Date or as soon thereafter as is practicable, in full satisfaction of the Allowed Maui Divers Secured Claim, the return of the property securing such claim (the cancellation of the Concession Agreement).

Class 6 is unimpaired, and Maui Divers of Hawaii is deemed to accept the Plan and is not entitled to vote to accept or reject the Plan.

The Debtor intends to reject the Concession Agreement because the liability due under the Concession Agreement (in excess of \$1.25 million) would become an administrative liability of the Debtor if the Concession Agreement were assumed.

10. Class 7—Additional Other Secured Claims

The Plan classifies all Other Secured Claims in Class 7. Unless a holder of the Additional Other Secured Claims and the Debtor agree to a different treatment, a holder of Additional Other Secured Claims shall receive, 30 days after the Effective Date or as soon thereafter as is practicable, in full satisfaction of its Allowed Claim, at the option of the Debtor either: (i) Cash equal to the value of its Allowed Claim, (ii) have surrendered to it, without representation or warranty, the collateral securing its Allowed Claim, (iii) notwithstanding any contractual provision or applicable law that entitles the holder of such Allowed Claim to demand or receive accelerated payment of such Allowed Claim after the occurrence of a default (A) be paid a cure of any such default that occurred prior to the Effective Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code, (B) have reinstated the maturity of such Claim as such maturity existed before such default, (C) be compensated for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law, and (D) otherwise not have altered the legal, equitable, or contractual rights to which such Allowed Claim entitles the holder of such Allowed Claim, or (iv) have left unaltered the legal, equitable, and contractual rights to which such Allowed Claim entitles the holder of such Allowed Claim.

Class 7 is unimpaired and the holders of Claims in Class 7 are deemed to accept the Plan and are not entitled to vote to accept or reject the Plan. The Debtor is not aware of any Other Secured Claims.

11. Class 8 -- Convenience Claims

The Plan classifies Convenience Claims in Class 8. Convenience Claims are General Unsecured Claims which are: (i) in the amount of \$1,000 or less or (ii) in the amount between \$1,000 to \$10,000, but which the holder agrees to reduce to \$1,000 in order to be treated as a Convenience Claim less than \$10,000. The Debtor estimates that there are approximately \$100,000 in valid Convenience Claims that fall under the \$1,000 threshold, and an additional approximately \$900,000 in valid Convenience Claims that fall under the \$10,000 threshold.

Holders of Allowed Convenience Claims shall receive Cash in an amount equal to 20% of the Allowed amount of such Convenience Claim, 30 days after the Effective Date or as soon thereafter as is practicable.

Class 8 is impaired, and the holders of Allowed Claims in Class 8 are entitled to vote to accept or reject the Plan.

12. Class 9 – General Unsecured Claims

The Plan classifies all holders of Allowed General Unsecured Claims in Class 9. The Debtor estimates that there are approximately \$15 million in valid General Unsecured Claims.

Holders of Allowed General Unsecured Claims shall receive five (5) % of their Allowed Claims without interest in Cash in five (5) equal annual installments, beginning on the first anniversary date of the Effective Date, and ending on the fifth anniversary date of the Effective Date.

Class 9 is impaired, and the holders of Allowed Claims in Class 9 are entitled to vote to accept or reject the Plan.

13. Class 10 – Subordinated Allowed Claims

The Plan classifies all holders of Subordinated Allowed General Unsecured Creditors in Class 10. The Debtor believes that the subordinated portions of the tax claims (penalties) of taxing authorities are de minimis.

Class 10 is impaired and the holders of Subordinated Allowed Claims in Class 10 are deemed to reject the Plan.

14. Class 11 – Equity Interests (Mr. Kang).

The Plan classifies the Equity Interests of the Debtor in Class 11. The holder of the Allowed Equity Interests in the Debtor (by Mr. Kang) shall not receive any distribution on account of its Allowed Equity Interests. Any Allowed Equity Interests in the Debtor which was issued and outstanding or authorized as of the Petition Date, shall be deemed canceled and extinguished as of the Effective Date.

Class 11 is impaired, and the holder of the Allowed Equity Interests in the Debtor is deemed to reject the Plan.

B. Summary of Other Provisions of the Plan

1. Time and Method of Distributions Under the Plan

The Reorganized Debtor shall serve as the disbursing agent to hold and distribute Cash and such other property as may be distributed pursuant to the Plan, provided however, that the Reorganized Debtor, in its sole and absolute discretion, may employ another Person, on such terms as may be determined by the Reorganized Debtor, to hold and distribute Cash and such other property as may be distributed pursuant to the Plan. Even if the disbursing agent is a person other than the Reorganized Debtor, nonetheless the disbursing agent shall be an agent of the Reorganized Debtor and not a separate taxable entity with respect to, for example, the assets held, income received or disbursements or distributions made for the Reorganized Debtor. No Cash payment of less than ten dollars (\$10.00) shall be made by the Disbursing Agent to any holder of a Claim.

2. Provisions for Treatment of Disputed Claims

Notwithstanding all references in the Plan to Claims that are Allowed, in undertaking the calculations concerning Allowed Claims or Allowed Administrative Expense Claims under the Plan, including the determination of the amount or number of distributions due to the holders of Allowed Claims and

Allowed Administrative Expense Claims, each Disputed Claim shall be treated as if it were an Allowed Claim or Allowed Administrative Expense Claim for purposes of voting on the Plan, except that if the Bankruptcy Court estimates the likely portion of a Disputed Claim to be Allowed or authorized or otherwise determines the amount or number which would constitute a sufficient reserve for a Disputed Claim (which estimates and determinations may be requested by the Reorganized Debtor), such amount or number as determined by the Bankruptcy Court shall be used as to such Claim. Objections to Claims must be filed and served within 180 days of the Effective Date.

3. Discharge of the Debtor and Injunction

Except as provided in the Plan or Confirmation Order, the rights afforded hereunder and the treatment of Claims, Administrative Expense Claims and Interests under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims and Administrative Expense Claims and termination of all Interests, including any interest accrued on Claims from the Petition Date. Except as provided in the Plan or the Confirmation Order, confirmation will: (i) discharge the Debtor and Reorganized Debtor from all Claims, Administrative Expense Claims or other debts that arose before the Confirmation Date and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (a) a proof of Claim based on such

debt is filed or deemed filed pursuant to section 501 of the Bankruptcy Code, (b) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (c) the holder of a Claim or Administrative Expense Claim based on such debt has accepted the Plan; and (ii) terminate all Interests and other rights of Interest holders in the Debtor. As of the Confirmation Date, except as provided in the Plan or the Confirmation Order, all Entities shall be precluded from asserting against the Debtor, the Reorganized Debtor, their successors or their property, any other or further claims, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any nature that occurred prior to the Confirmation Date.

4. Retention of Rights of Action

In accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtor, to the extent set forth below, and its successors, any assigns hereunder and future assigns will retain and may exclusively enforce any rights of action subject only to any express waiver or release thereof in the Plan or in any other contract, instrument, release, indenture or other agreement entered into in connection with the Plan, and the Confirmation Order's approval of the Plan shall be deemed a *res judicata* determination of such rights to retain and exclusively enforce such rights of action unless the Bankruptcy Court orders otherwise.

Absent such express waiver or release, the Reorganized Debtor, or its successors or

assigns may pursue rights of action, as appropriate, in accordance with the best interests of the Reorganized Debtor (or its successors or future assigns).

5. *Exemption from Transfer Taxes*

Pursuant to section 1146(c) of the Bankruptcy Code, any transfers from the Debtor to the Reorganized Debtor or any other Person pursuant to the Plan including (a) the issuance of any stock, (b) the creation of any mortgage deed or trust, or other security interest, and (c) the making of any agreement or instrument in furtherance of, or in connection with, this Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment.

IV. VOTING AND CONFIRMATION OF THE PLAN

A. General

The following discussion is intended solely for the purpose of providing basic information concerning certain confirmation issues. The Debtor cannot and does not represent that the discussion contained below is a complete summary of the law on this topic.

Many requirements must be met before the Bankruptcy Court may confirm the Plan. Some of the requirements discussed in this Disclosure Statement include acceptance of the Plan by the requisite number of holders of Claims and Interests,

and whether the Plan pays such holders at least as much as they would receive in a liquidation of the Debtor under chapter 7 of the Bankruptcy Code. These requirements, however, are not the only requirements for confirmation, and the Bankruptcy Code will not confirm the Plan unless and until it determines that the Plan satisfies all applicable requirements, including requirements not referenced in this Disclosure Statement.

B. Voting Procedures and Requirements

Pursuant to the Bankruptcy Code, only classes of Claims against or Equity Interests in the Debtor that are “impaired” under the terms of the Plan are entitled to vote to accept or reject the Plan. A class is “impaired” if the legal, equitable or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturity. Classes of Claims that are not impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, classes of Claims or Equity Interests that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan unless such Class otherwise indicates acceptance.

C. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtor has fulfilled the Confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been

scheduled for _____, at 9:30 a.m. before The Honorable Robert J. Faris, United States Bankruptcy Court for the District of Hawaii, 1132 Bishop Street, Suite 250L, Honolulu, Hawaii 96813. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to Confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Equity Interest held by the objector. Any such objections must be Filed and served upon the Persons designated in the notice of the Confirmation Hearing, in the manner and by the deadline described therein.

D. Acceptance or Cramdown

As a condition to confirmation, the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances.

E. Best Interests Test; Liquidation Analysis

Another confirmation requirement is the so-called “Best Interests Test” created by section 1129(a)(7) of the Bankruptcy Code. The Best Interests Test requires that, if a holder of a Claim or Equity Interest is in an impaired Class and does not vote to accept the Plan, such holder receives or retains an amount under

the Plan not less than the amount that such holder would receive or retain if the Debtor was to be liquidated under chapter 7 of the Bankruptcy Code.

The Debtor's preliminary liquidation analysis and distribution to creditors is calculated as follows:

ASSETS:	<u>LOW</u>	<u>HIGH</u>
Cash-In-Bank (as of 6/26/09)	375,000	375,000
Estimated Value of Remaining Assets to Be Liquidated		
Nimitz Property	1,000,000	2,000,000
Inventory	250,000	500,000
Intellectual Property	150,000	250,000
Accounts Receivable	<u>70,000</u>	<u>100,000</u>
Total Assets:	1,845,000	3,225,000
LIABILITIES:	<u>Low</u>	<u>High</u>
Secured Claim of NTP	0	1,000,000
Secured Claim of CPB (real estate)	703,000	703,000
Administrative Claims	3,000,000	3,500,000
Professionals	150,000	250,000
Estimated Priority Claims	500,000	750,000
Total Liabilities Ahead of Unsecured Claims	<u>4,353,000</u>	<u>6,203,000</u>
Estimated Unsecured Claims	15,000,000	16,000,000
Total Liabilities	<u>19,353,000</u>	<u>22,203,000</u>

Balance for Distribution to Class 8/9 Claims	0	0
Estimated Chapter 7 Distribution to Class 8/9 Claims	<u>0.0%</u>	<u>0.0%</u>

In a chapter 7 case, a trustee would be appointed to liquidate the Debtor's assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. Under those priorities, secured creditors generally are paid first from the sales proceeds of properties securing their liens. Administrative expenses generally are paid next. Unsecured creditors then are paid from any remaining sales proceeds, according to their statutory and contractual rights to priority. Unsecured creditors with the same priority share in proportion to the amount of their allowed claim in relationship to the amount of total allowed unsecured claims. Finally, shareholders receive the balance, if any, that remains after all creditors are paid.

For the Bankruptcy Court to be able to confirm the Plan, it must find that holders of Claims and Interests who do not accept the Plan will receive at least as much under the Plan as such holders would receive under a hypothetical chapter 7 liquidation of the Debtor. The Debtor submits that this requirement is met here because, among other things, the Plan pays unsecured creditors 5% percent on their Allowed Claims, without interest, which is substantially more than they would receive if this chapter 11 reorganization case were converted to a liquidation case under chapter 7 of the Bankruptcy Code.

In a chapter 7 case, a chapter 7 trustee with no familiarity with the bankruptcy case would be appointed to complete the liquidation and distribution process. The Weinberg Foundation is owed close to \$1 million in delinquent rent on the Nimitz Property alone. Also, NTP and CPB hold secured claims on the Nimitz Property and would be entitled to payment of net proceeds from a sale of the Nimitz Property after the Weinberg Foundation back rent is paid from sale proceeds. The Debtor does not believe that its other leases have any liquidation value. The inventory and intellectual property have relatively limited value in liquidation. In sum, the total liquidation values of the Debtor's assets are estimated to be between approximately \$1.8 million to \$3.2 million but there are approximately \$4 million to 6 million in secured, administrative and priority claims that must be paid before holders of pre-petition general unsecured claims receive a distribution.

F. Feasibility

To confirm the Plan, the Bankruptcy Court must find that confirmation is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor. This requirement is imposed by section 1129(a)(11) of the Bankruptcy Code and is referred to as the "feasibility" requirement.

In anticipating of emerging from this chapter 11 proceeding, the Debtor (under the leadership of Ted Nelson) had been in negotiations with landlords for

new stores in more heavily travelled tourist destinations. The Debtor has also negotiated mutual termination clauses in leases for certain of the Debtor's remaining stores.

Instead of an aggressive growth strategy as envisioned by TOC, the Debtor now under the leadership of Donald B.S. Kang, plans to open just one or two new stores in the near term. The new stores will be located in proximity to tourist destination hotels in the Waikiki beach area, including a resort store at historic beach resort hotel approximately 2,400 square foot large.

The Debtor will focus on increasing revenues from a variety of new sources including e-commerce activities, uniform sales, and building on pre-existing travel partner relationships, as well as stocking higher margin merchandise to drive increased same store sales. Because Royal Hawaiian Creations has been one of the Debtor's largest trade vendors, certain synergies via product mix are expected. Finally, the Debtor will also continue to cut overhead through staff reductions and will also receive a contribution in rent from Royal Hawaiian Creations, whose manufacturing operations will be relocated into the Nimitz Property after the Effective Date.

Royal Hawaiian Creations has been a manufacturer and wholesaler of Hawaiian apparel for men, women, girls, boy and infants since 1987. Based in Honolulu, Hawaii, Royal Hawaiian Creations supplies Hawaiian wear, bags, gifts,

and accessories to major department stores, boutiques, schools, hospitals, hotels, and restaurants. Royal Hawaiian Creations' products are sold in Hawaii, the U.S. Mainland, U.S. Territories, Canada, Japan, France, and Germany. Royal Hawaiian Creations has strong ties and robust relationships with Asian vendors, subcontractors and manufacturers, and is able to source its goods at healthy margins.

Although no assurances can be given, the Debtor believes that it will be able to timely perform all obligations described in the Plan, and, therefore, that the Plan is feasible. In an effort to demonstrate the feasibility of the Plan, the Debtor has prepared financial projections for fiscal years 2010-2014, as set forth in Exhibit C to this Disclosure Statement.

As described in the Projections, the Debtor's sales are expected to stabilize and increase beginning in the fiscal year ending September, 2011 and thereafter. Overall, Hawaii's economic indicators suggest a bottoming out of its economy in 2009, with modest growth through 2011, and nearly recovering to 2007 levels by 2012.

The Debtor anticipates that sales will stabilize and increase beginning in fiscal year 2011 and thereafter. Sales for the fiscal years ending September, 2010 (year #1) through September, 2014 (year #5) are projected to increase from approximately \$28.8 million to \$51.9 million.

In fiscal year 2011 the Debtor expects to generate just over \$33.6 million in revenue enabling it to basically break even on an EBITDA basis. By fiscal year 2012, the Debtor anticipates approximately \$39.3 million in revenue and \$1.6 million in EBITDA.

The Debtor cautions however that no representations can be made as to the accuracy of the projections or as to the Reorganized Debtor's ability to achieve the projected results. Many of the assumptions upon which the projections are based are subject to uncertainties outside the control of the Debtor. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the projections were prepared may be different from those assumed or may be unanticipated, and may adversely affect the Reorganized Debtor's financial results. Therefore, the actual results may vary from the projected results and the variations may be material and adverse.

THE PROJECTIONS WERE NOT PREPARED IN COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, THE PRACTICES RECOGNIZED TO BE IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. FURTHERMORE, THE PROJECTIONS HAVE NOT BEEN AUDITED BY INDEPENDENT ACCOUNTANTS.

G. Compliance with Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtor has considered each of these issues in the development of the Plan and believes that the Plan complies with all provisions of the Bankruptcy Code.

H. Retention of Jurisdiction

Notwithstanding the entry of the Confirmation Order or the occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Reorganization Case and any of the proceedings related to the Reorganization Case pursuant to section 1142 of the Bankruptcy Code and 28 U.S.C. § 1334 to the fullest extent permitted by the Bankruptcy Code and other applicable law, including, without limitation, such jurisdiction as is necessary to ensure that the purpose and intent of the Plan are carried out.

**V. CERTAIN FEDERAL INCOME TAX CONSEQUENCES
OF CONSUMMATION OF THE PLAN**

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtor and certain holders of Claims. The following summary does not address the federal income tax consequences to (i) holders whose Claims are entitled to reinstatement or payment in full in Cash, or are otherwise unimpaired under the Plan (*e.g.*, holders of

Administrative Expense Claims, holders of Priority Tax Claims), or (ii) holders whose Claims or Equity Interests are or may be extinguished without a distribution in exchange therefor.

The following summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service ("IRS") as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt. In addition, this summary does not address foreign, state or local tax consequences of the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN 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. ALL

HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. Consequences to the Debtor

As of May 2, 2009, the Debtor had approximately \$13.8 million of net operating loss (“NOL”) carryforwards for federal income tax purposes. The Debtor anticipates that such NOL carryforwards will be utilized to offset income from operations in its current taxable year. In addition, the amount of such NOL carryforwards and other losses remains subject to adjustment by the IRS.

1. Cancellation of Debt

In general, the Code provides that a debtor in a bankruptcy case must reduce certain of its tax attributes – such as NOL carryforwards and current year NOLs, tax credits, and tax basis in assets – by the amount of any cancellations of debt (“COD”). COD is the amount by which the indebtedness discharged exceeds any consideration given in exchange therefor.

B. Consequences to Holders of Certain Claims

Each holder of a Claim will recognize gain or loss measured by the difference between (i) any cash and the fair market value of any other property received by such holder and (ii) its adjusted tax basis in the Claim. This income, gain or loss will be capital gain or loss if the Claim is a capital asset in the holder’s

hands. Holders of Claims in the form of accounts or notes receivable acquired in the ordinary course of a trade or business for the performance of services or for the sale of inventory will recognize ordinary income, gain or loss. In addition, if a holder of a Claim has taken an ordinary deduction for the worthlessness of the Claim under the Code in a prior taxable year, any income or gain realized will be taxed as ordinary income to the extent of the ordinary deduction claimed.

C. Bankruptcy Code Exemptions from Registration Requirements

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under the Securities Act of 1933, as amended, 15 U.S.C. §§ 77a-77aa and applicable state securities laws if three principal requirements are satisfied: (i) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, an affiliate participating in a joint plan with the debtor or a successor to the debtor under the plan; (ii) the recipients of the securities must hold a prepetition or administrative expense claim against or an interest in the debtor; and (iii) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor or such an affiliate, or principally in such exchange and partly for cash or property.

VI. Recommendation and Conclusion

For all of the reasons set forth in this Disclosure Statement, the Debtor believes that the confirmation of the Plan is preferable to all other alternatives.

Consequently, the Debtor urges all holders of Claims in voting Classes to vote to accept the Plan and to evidence their acceptance by duly completing and returning their ballots so that they will be received on or before the voting deadline.

DATED: Honolulu, Hawaii, June 26, 2009.

POMARE, LTD.

/s/ Donald B.S. Kang
Donald B.S. Kang, CEO and President

EXHIBIT “A”
[To be Inserted]

Chapter 11 Plan of Reorganization for
Pomare, Ltd.

POMARE, LTD.
Consolidated
Income Statement

	2009 YTD Actual		2008 FY Actual	
	As of 5/2/2009	%	As of Oct 4, 2008	%
Sales	\$14,747,822	97.85%	\$42,335,374	97.46%
Sales Returns	(300,049)	(1.99%)	(744,727)	(1.71%)
<hr/>				
Net Sales without Tax	14,447,773	95.86%	41,590,647	95.74%
Sales Tax Collected	623,710	4.14%	1,850,278	4.26%
<hr/>				
Total Net Sales	15,071,483	100.00%	43,440,925	100.00%
Cost of Sales	7,657,801	50.81%	20,174,165	46.44%
<hr/>				
Gross Margin	7,413,682	49.19%	23,266,760	53.56%
<hr/>				
Other Income	1,537,567	10.20%	3,802,687	8.75%
<hr/>				
Net Revenue	8,951,249	59.39%	27,069,447	62.31%
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Operating Expenses				
Labor Cost				
Salaries & Wages - Regular	3,670,943	24.36%	9,112,633	20.98%
Salaries & Wages - Overtime	6,765	0.04%	28,485	0.07%
Manager's Commission	95	0.00%	30,380	0.07%
Employee's Commission	0	0.00%	1,882	0.00%
Payroll Taxes	278,880	1.85%	697,323	1.61%
Employee Benefits	434,359	2.88%	1,131,632	2.60%
Vacation Accrual	4,022	0.03%	191,227	0.44%
Other Benefits	74,123	0.49%	9,217	0.02%
<hr/>				
Total Labor Expenses	4,469,187	29.65%	11,202,779	25.79%
<hr/>				
Property Expense				
Rent	1,691,957	11.23%	4,399,630	10.13%
Percentage Rent	154,338	1.02%	31,066	0.07%
Property Expense	1,045,053	6.93%	2,529,626	5.82%
<hr/>				
Total Property Expense	2,891,348	19.18%	6,960,322	16.02%
<hr/>				
Common Expenses				
Busing Expense	502,373	3.33%	1,084,817	2.50%
Outside Sales Commission	311,821	2.07%	1,101,978	2.54%
Advertising	615,102	4.08%	1,661,490	3.82%
Promotions	475,304	3.15%	630,528	1.45%
Auto Expense	31,715	0.21%	129,904	0.30%
Total Benefits	433,827	2.88%	1,131,632	2.60%
Bad Debt Expense	62,217	0.41%	57	0.00%
Cash-Over/Short	6,841	0.05%	8,582	0.02%
Contributions & Damages	562	0.00%	76,122	0.18%
Credit Card & Bank Fees	256,905	1.70%	809,516	1.86%

EXHIBIT B

	2009 YTD Actual		2008 FY Actual	
	As of 5/2/2009	%	As of Oct 4, 2008	%
Depreciation & Amortization	894,984	5.94%	1,530,489	3.52%
Dues & Subscriptions	6,947	0.05%	20,264	0.05%
Insurance Expenses	176,037	1.17%	415,278	0.96%
Machinery & Equipment Rental	43,386	0.29%	65,057	0.15%
Supplies	274,914	1.82%	702,930	1.62%
Outside Services	642,189	4.26%	1,435,918	3.31%
Postage & Freight	56,542	0.38%	195,878	0.45%
Professional Services	24,682	0.16%	292,358	0.67%
Repairs & Maintenance	233,106	1.55%	515,319	1.19%
Taxes & Licenses	710,772	4.72%	2,040,916	4.70%
Telephone	114,456	0.76%	257,695	0.59%
Travel	20,205	0.13%	79,740	0.18%
Entertainment	12,370	0.08%	28,405	0.07%
Straight Line Rent	174,633	1.16%	995,606	2.29%
Miscellaneous	(21,881)	(0.15%)	(167,519)	(0.39%)
Operational Allocation	(432,859)	(2.87%)	(1,131,632)	(2.60%)
Total Common Expenses	5,627,150	37.34%	13,911,328	32.02%
Total Operating Expenses	12,987,685	86.17%	32,074,429	73.83%
Operating Profit (Loss)	(4,036,436)	(26.78%)	(5,004,982)	(11.52%)
Non-Operating Expenses				
Allocated Charges	0	0.00%	0	0.00%
Total Non-Operating Expenses	0	0.00%	0	0.00%
Other (Income) and Expenses				
Loss (Gain) on Sale of Asset	(5,268)	(0.03%)	967	0.00%
Loss (Gain) on Disposal - Prop & Equip	3,096,253	20.54%	0	0.00%
Interest	79,634	0.53%	437,749	1.01%
Other Expenses	62,333	0.41%	0	0.00%
Chapter 11 Expenses	545,527	3.62%	0	0.00%
Discounts (Income) Earned	(9)	(0.00%)	(8,475)	(0.02%)
Total Other (Income) and Expense	3,778,470	25.07%	430,241	0.99%
Income Before MGMT Bonus & Profit Sharing	(7,814,906)	(51.85%)	(5,435,223)	(12.51%)
Bonus & Profit Sharing	0	0.00%	0	0.00%
Total Bonus & Contributions	0	0.00%	0	0.00%
Income Before Taxes	(7,814,906)	(51.85%)	(5,435,223)	(12.51%)
Taxes on Income				
Income Taxes	(2,373,683)	(15.75%)	(1,877,961)	(4.32%)
Total Taxes	(2,373,683)	(15.75%)	(1,877,961)	(4.32%)
Net Income After Taxes	(5,441,223)	(36.10%)	(3,557,262)	(8.19%)

Pomare, Ltd.
Emergence Plan
Cnsd All

Forecast Year Fiscal Year Period Stores Open (inc eCom)	Year #1		Year #2		Year #3		Year #4		Year #5	
	2010		2011		2012		2013		2014	
	FY	%	FY	%	FY	%	FY	%	FY	%
	9		9		9		9		9	
Income Statement										
Sales	28,811,030	98.3%	33,640,286	98.3%	39,344,888	98.3%	45,010,710	98.3%	51,900,669	98.3%
Sales Returns	(667,013)	(2.3%)	(778,817)	(2.3%)	(910,836)	(2.3%)	(1,042,057)	(2.3%)	(1,201,569)	(2.3%)
Net Sales without Tax	28,144,017	96.0%	32,861,469	96.0%	38,434,002	96.0%	43,968,652	96.0%	50,699,101	96.0%
Sales Tax Collected	1,172,480	4.0%	1,369,009	4.0%	1,601,161	4.0%	1,831,734	4.0%	2,112,125	4.0%
Total Net Sales	29,316,497	100.0%	34,230,478	100.0%	40,035,163	100.0%	45,800,387	100.0%	52,811,225	100.0%
Cost of Sales	13,649,848	46.6%	15,773,505	46.1%	18,256,151	45.6%	20,775,188	45.4%	23,828,577	45.1%
Gross Margin (% calculation includes GET)	15,666,649	53.4%	18,456,973	53.9%	21,779,012	54.4%	25,025,198	54.6%	28,982,648	54.9%
Retail Gross Margin Percentage (excludes GET)		51.5%		52.0%		52.5%		52.8%		53.0%
Other Income	2,789,223	9.5%	3,031,449	8.9%	3,309,785	8.3%	3,522,784	7.7%	3,789,266	7.2%
Net Revenue	18,455,871	63.0%	21,488,422	62.8%	25,088,796	62.7%	28,547,982	62.3%	32,771,914	62.1%
Operating Expenses										
Labor Cost										
Salaries & Wages	5,314,601	18.1%	5,734,660	16.8%	6,838,355	17.1%	7,529,263	16.4%	7,994,456	15.1%
Payroll Taxes	436,186	1.5%	470,641	1.4%	560,363	1.4%	616,977	1.3%	655,098	1.2%
Employee Benefits	765,042	2.6%	912,284	2.7%	1,050,548	2.6%	1,201,649	2.6%	1,358,471	2.6%
Vacation Accrual	25,551	0.1%	27,570	0.1%	32,877	0.1%	36,198	0.1%	38,435	0.1%
Other Benefits	-	-	-	-	74,630	0.2%	83,909	0.2%	88,064	0.2%
Total Labor Expenses	6,541,380	22.3%	7,145,155	20.9%	8,556,772	21.4%	9,467,997	20.7%	10,134,524	19.2%
Property Expense										
Rent	3,702,489	12.6%	4,060,045	11.9%	4,080,633	10.2%	4,102,261	9.0%	4,126,377	7.8%
Percentage Rent	176,477	0.6%	141,120	0.4%	193,680	0.5%	224,551	0.5%	284,448	0.5%
Property Expense	1,612,347	5.5%	1,628,604	4.8%	1,686,784	4.2%	1,750,231	3.8%	1,816,784	3.4%
Total Property Expense	5,491,314	18.7%	5,829,769	17.0%	5,961,097	14.9%	6,077,044	13.3%	6,227,610	11.8%
Common Expenses										
Busing Expense	979,151	3.3%	1,028,109	3.0%	1,079,514	2.7%	1,133,490	2.5%	1,190,164	2.3%
Outside Sales Commission	648,233	2.2%	730,055	2.1%	803,401	2.0%	922,920	2.0%	1,063,770	2.0%
Advertising & Promotion	1,397,965	4.8%	1,628,743	4.8%	1,903,859	4.8%	2,112,118	4.6%	2,397,661	4.5%
Auto Expense	17,520	0.1%	18,304	0.1%	28,894	0.1%	31,972	0.1%	35,447	0.1%
Cash-Over/Short	8,516	0.0%	9,765	0.0%	11,402	0.0%	13,199	0.0%	15,120	0.0%
Contributions & Damages	-	-	-	-	-	-	-	-	-	-
Credit Card & Bank Fees	470,720	1.6%	568,340	1.7%	667,792	1.7%	739,421	1.6%	858,925	1.6%
Depreciation & Amortization	1,140,898	3.9%	699,677	2.0%	672,436	1.7%	473,741	1.0%	401,812	0.8%
Dues & Subscriptions	-	-	-	-	-	-	-	-	-	-
Insurance Expenses	266,869	0.9%	276,609	0.8%	290,011	0.7%	366,424	0.8%	395,159	0.7%
Machinery & Equipment Rental	12,900	0.0%	12,900	0.0%	14,150	0.0%	14,150	0.0%	14,150	0.0%
Supplies	532,637	1.8%	604,362	1.8%	690,669	1.7%	781,306	1.7%	891,851	1.7%
Outside Services	841,915	2.9%	874,111	2.6%	907,421	2.3%	951,602	2.1%	997,945	1.9%
Postage & Freight	73,445	0.3%	78,468	0.2%	82,391	0.2%	86,398	0.2%	90,601	0.2%
Professional Services	150,000	0.5%	157,500	0.5%	165,375	0.4%	173,644	0.4%	182,326	0.3%
Repairs & Maintenance	195,923	0.7%	204,094	0.6%	210,387	0.5%	220,794	0.5%	231,717	0.4%
Taxes & Licenses (Primarily GET)	1,321,937	4.5%	1,544,143	4.5%	1,804,769	4.5%	2,064,613	4.5%	2,380,681	4.5%
Telephone/Network	204,204	0.7%	204,606	0.6%	204,606	0.5%	204,606	0.4%	204,606	0.4%
Travel/Entertainment	70,520	0.2%	73,989	0.2%	77,727	0.2%	81,607	0.2%	85,680	0.2%
Straight Line Rent	202,594	0.7%	(24,667)	(0.1%)	(45,254)	(0.1%)	(60,581)	(0.1%)	(72,093)	(0.1%)
Miscellaneous	6,000	0.0%	6,000	0.0%	6,000	0.0%	6,000	0.0%	6,000	0.0%
Total Common Expenses	8,541,948	29.1%	8,695,107	25.4%	9,575,551	23.9%	10,317,424	22.5%	11,371,523	21.5%
Total Operating Expenses	20,574,641	70.2%	21,670,032	63.3%	24,093,420	60.2%	25,862,464	56.5%	27,733,657	52.5%
Operating Profit (Loss)	(2,118,770)	(7.2%)	(181,610)	(0.5%)	995,376	2.5%	2,685,517	5.9%	5,038,257	9.5%
Other (Income) and Expenses										
Loss (Gain) on Sale of Asset										
Interest Income-Waikiki	10,861	0.0%	8,594	0.0%	6,258	0.0%	3,851	0.0%	1,371	0.0%
Interest-TaxLiabilities	73,459	0.3%	49,175	0.1%	23,846	0.1%	2,493	0.0%	0	0.0%
Interest-Cap Leases	-	-	-	-	-	-	-	-	-	-
Total Other (Income) and Expenses	84,320	0.3%	57,769	0.2%	30,105	0.1%	6,345	0.0%	1,371	0.0%
Income (Loss) Before Taxes	(2,034,450)	(7.5%)	(123,841)	(0.7%)	965,272	2.4%	2,679,173	5.8%	5,036,886	9.5%
Income Tax Expense (Benefit)	680,169	2.3%	89,776	0.3%	(312,806)	(0.8%)	(890,321)	(1.9%)	(1,688,023)	(3.2%)
Net Income (Loss)	(1,354,281)	(5.2%)	(114,065)	(0.4%)	652,466	1.6%	1,788,851	3.9%	3,348,863	6.3%
Adjusted EBITDA (Add back Depr/Amort & SLR)	(778,278)	(2.6%)	493,400	1.4%	1,622,558	4.1%	3,098,678	6.8%	5,367,976	10.2%

EXHIBIT C

Pomare, Ltd.
Emergence Plan
Cnsd All

Draft - Subject to Change

Forecast Year	Year #1		Year #2		Year #3		Year #4		Year #5	
Fiscal Year	2010	%	2011	%	2012	%	2013	%	2014	%
Period	FY		FY		FY		FY		FY	
Stores Open (inc eCom)	9		9		9		9		9	
Statement of Cash Flow										
Operating Cash Inflows										
Net Sales without Tax	28,144,017		32,861,469		38,434,002		43,968,652		50,699,101	
Sales Tax Collected	1,172,480		1,369,009		1,601,161		1,831,734		2,112,125	
Other Income	2,789,223		3,031,449		3,309,785		3,522,784		3,789,266	
	-		-		-		-		-	
Total Operating Cash Inflows	32,105,719		37,261,927		43,344,947		49,323,170		56,600,491	
Operating Cash Outflows										
Cost of Sales	13,649,848		15,773,505		18,256,151		20,775,188		23,828,577	
Salaries & Wages	5,314,601		5,734,660		6,838,355		7,529,263		7,994,456	
Payroll Taxes	436,186		470,641		560,363		616,977		655,098	
Employee Benefits	765,042		912,284		1,050,548		1,201,649		1,358,471	
Other Benefits	-		-		74,630		83,909		88,064	
Rent	3,702,489		4,060,045		4,080,633		4,102,261		4,126,377	
Percentage Rent	176,477		141,120		193,680		224,551		284,448	
Property Expense	1,612,347		1,628,604		1,686,784		1,750,231		1,816,784	
Busing Expense	979,151		1,028,109		1,079,514		1,133,490		1,190,164	
Outside Sales Commission	648,233		730,055		803,401		922,920		1,063,770	
Advertising & Promotion	1,397,965		1,628,743		1,903,859		2,112,118		2,397,661	
Auto Expense	17,520		18,304		28,894		31,972		35,447	
Cash-Over/Short	8,516		9,765		11,402		13,199		15,120	
Contributions&Damages	-		-		-		-		-	
Credit Card & Bank Fees	470,720		568,340		667,792		739,421		858,925	
Dues & Subscriptions	-		-		-		-		-	
Insurance Expenses	266,869		276,609		290,011		366,424		395,159	
Machinery & Equipment Rental	12,900		12,900		14,150		14,150		14,150	
Supplies	532,637		604,362		690,669		781,306		891,851	
Outside Services	841,915		874,111		907,421		951,602		997,945	
Postage & Freight	73,445		78,468		82,391		86,398		90,601	
Professional Services	150,000		157,500		165,375		173,644		182,326	
Repairs & Maintenance	195,923		204,094		210,387		220,794		231,717	
Taxes & Licenses	1,321,937		1,544,143		1,804,769		2,064,613		2,380,681	
Telephone	204,204		204,606		204,606		204,606		204,606	
Travel/Entertainment	70,520		73,989		77,727		81,607		85,680	
Miscellaneous	6,000		6,000		6,000		6,000		6,000	
Adjustment for AP Terms	(1,323,555)		(102,465)		(404,782)		(626,003)		(573,911)	
Income Tax Expense	-		-		-		433,183		1,688,029	
Total Operating Cash Outflows	31,531,892		36,638,491		41,284,730		45,995,474		52,308,199	
Net Operating Cash Flow	573,828		623,436		2,060,217		3,327,696		4,292,292	
Investing Cash Inflows										
Consignment Decreases	-		-		136,000		900,000		500,000	
Total Investing Cash Inflows	-		-		136,000		900,000		500,000	
Investing Cash Outflows										
Other PPE	255,000		-		-		-		-	
Owned Inventory Increases/(Decreases)	-		-		1,019,040		1,629,600		1,409,600	
Consignment Increases/(Decreases)	953,817		569,728		-		-		-	
Remodel and TI Costs	247,825		-		200,000		-		-	
Total Investing Cash Outflows	1,456,642		569,728		1,219,040		1,629,600		1,409,600	
Net Investing Cash Flow	(1,456,642)		(569,728)		(1,083,040)		(729,600)		(909,600)	
Financing Cash Inflows										
Consignment Increases	953,817		569,728		-		-		-	
Equity Investment	2,000,000		-		-		-		-	
Total Financing Cash Inflows	2,953,817		569,728		-		-		-	
Financing Cash Outflows										
Emergence Obligations Employee Accruals	-		-		-		-		-	
Emergence Obligations Administrative	1,792,752		-		-		-		-	
Emergence Capital Leases	312,279		303,816		265,729		95,426		-	
Emergence Obligations Convenience Class	59,219		-		-		-		-	
Emergence Obligations Unsecured Class	318,654		231,015		231,015		231,015		231,015	
Consignment Decreases	-		-		136,000		900,000		500,000	
Total Financing Cash Outflows	2,482,905		534,831		632,743		1,226,441		731,015	
Net Financing Cash Flow	470,913		34,897		(632,743)		(1,226,441)		(731,015)	
Total Cash Inflows	35,059,537		37,831,655		43,480,947		50,223,170		57,100,491	
Total Cash Outflows	35,471,438		37,743,049		43,136,513		48,851,515		54,448,814	
Net Cash Flow	(411,902)		88,605		344,434		1,371,655		2,651,677	

Draft - Subject to Change

Pomare, Ltd.
Emergence Plan
Cnsd All

Forecast Year	Year #1		Year #2		Year #3		Year #4		Year #5	
Fiscal Year	2010	%	2011	%	2012	%	2013	%	2014	%
Period	FY		FY		FY		FY		FY	
Stores Open (inc eCom)	9		9		9		9		9	
Balance Sheet										
Assets										
Current Assets										
Cash	237,779		326,384		670,818		2,042,473		4,694,150	
Registers and Restricted Cash	92,862		92,862		92,862		92,862		92,862	
A/R	206,737		206,737		206,737		206,737		206,737	
Inventory	2,411,244		2,411,244		3,430,284		5,059,884		6,469,484	
Consigned Inventory	1,888,400		2,458,128		2,322,128		1,422,128		922,128	
Prepays	163,279		163,279		163,279		163,279		163,279	
Income Tax Receivable	800		800		800		800		800	
Deferred Income Tax	-		769,944		457,138		-		-	
Total Current Assets	<u>5,001,102</u>		<u>6,429,379</u>		<u>7,344,047</u>		<u>8,988,164</u>		<u>12,549,441</u>	
PPE	20,882,646		20,882,646		21,082,646		21,082,646		21,082,646	
Accum Depr	(17,644,504)		(18,344,181)		(19,016,617)		(19,490,358)		(19,892,170)	
Net PPE	<u>3,238,141</u>		<u>2,538,464</u>		<u>2,066,028</u>		<u>1,592,287</u>		<u>1,190,476</u>	
Other Assets										
Deferred Income Taxes	680,169		-		-		-		-	
Other	135,831		135,831		135,831		135,831		135,831	
Total Other Assets	<u>816,000</u>		<u>135,831</u>		<u>135,831</u>		<u>135,831</u>		<u>135,831</u>	
Total Assets	<u>9,055,243</u>		<u>9,103,675</u>		<u>9,545,906</u>		<u>10,716,282</u>		<u>13,875,748</u>	
Liabilities										
Current Liabilities										
N/P, Current	-		-		-		-		-	
Accounts Payable	1,598,519		1,700,984		2,105,765		2,731,769		3,305,680	
Consigned Inventory	1,888,400		2,458,128		2,322,128		1,422,128		922,128	
AP - Other	25,551		53,121		85,998		122,197		160,631	
Emergence Obligations Employee Accruals	484,869		484,869		484,869		484,869		484,869	
Emergence Capital Leases, Current	312,279		312,279		92,933		-		-	
Emergence Obligations Unsecured, Current	290,234		290,234		290,234		229,643		-	
Emergence Obligations Administrative	-		-		-		-		-	
Total Current Liabilities	<u>4,599,852</u>		<u>5,299,616</u>		<u>5,381,928</u>		<u>4,990,607</u>		<u>4,873,309</u>	
Deferred Lease Incentive	<u>2,087,385</u>		<u>2,062,718</u>		<u>2,017,464</u>		<u>1,956,883</u>		<u>1,884,790</u>	
Long Term Liabilities										
N/P	-		-		-		-		-	
Emergence Obligations Unsecured, Long Term	613,751		391,330		166,573		-		-	
Emergence Capital Leases, Long Term	277,176		22,536		-		-		-	
Total Long Term Liabilities	<u>890,927</u>		<u>413,865</u>		<u>166,573</u>		<u>-</u>		<u>-</u>	
Total Liabilities	<u>7,578,164</u>		<u>7,776,200</u>		<u>7,565,966</u>		<u>6,947,490</u>		<u>6,758,100</u>	
Equity										
Net Income	(1,522,922)		(1,672,525)		(1,020,059)		768,792		4,117,648	
Other	3,000,000		3,000,000		3,000,000		3,000,000		3,000,000	
Total Equity	<u>1,477,078</u>		<u>1,327,475</u>		<u>1,979,941</u>		<u>3,768,792</u>		<u>7,117,648</u>	
Total Liabilities and Equity	<u>9,055,243</u>		<u>9,103,674</u>		<u>9,545,906</u>		<u>10,716,282</u>		<u>13,875,748</u>	
Metrics:										
Stores Open (inc eCom)	9		9		9		9		9	
Total Square Footage	106,563		106,563		106,563		106,563		106,563	
Net Sales w/o Tax/Sq Ft	264		308		361		413		476	
Net Sales and Gross Other Income w/o Tax/Sq Ft	395		451		516		578		654	
OpEx/Sq Ft w/o rent abatement/waivers/pre-occupancy costs	193		203		226		243		260	
Inventory Turns	3.17		3.24		3.17		3.21		3.22	
Avg Weeks Open Per Store	52		52		52		52		52	