IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
THE COLLECTED GROUP, LLC, *et al.*,[1]	Case No. 21-10663 (____)
Debtors.	(Joint Administration Requested)

DECLARATION OF EVAN HENGEL IN SUPPORT OF
CHAPTER 11 PETITIONS AND REQUESTS FOR FIRST DAY RELIEF

Pursuant to 28 U.S.C. § 1746, I, Evan Hengel, do hereby declare, under penalty of perjury, the following to the best of my knowledge and belief:

1. I am the Chief Restructuring Officer ("CRO") of each of the above-captioned debtors and debtors in possession (each a "Debtor" and collectively, the "Debtors" or the "Company"), and have served in this capacity since March 18, 2021. From November 2018 to December 2020, I served as the Debtors' Acting Chief Financial Officer. Immediately prior to my appointment as CRO, I provided consulting services to the Company in my capacity as a Managing Director of Berkley Research Group ("BRG"). In my various capacities, I have been associated with the Company on a continuous basis since August 2018.

2. I received my bachelor's degree in finance from the University of Kansas, and I am a Certified Insolvency & Restructuring advisor. I am currently a Managing Director at BRG, a financial consulting firm that specializes in, among other things, bankruptcy and restructuring consulting, interim management, and financial and operational consulting to financially troubled companies. I have approximately 14 years of experience working in distressed

[1] The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: The Collected Group, LLC (5234); The Collected Group Company, LLC (2188); The Collected Group Exports, Inc. (3426); The Collected Group Retail, LLC (2878); and RBR, LLC (9479). The Debtors' headquarters are located at 4775 Eucalyptus Avenue, Chino, California 91710.

situations and transactions. My experience includes in- and out-of-court restructurings, operational turnarounds, asset sales, and refinancing transactions, including multiple engagements on behalf of distressed retailers. I have served in interim executive capacities to companies undergoing significant restructurings, and as the chairman of the board of directors of an apparel company. BRG was retained by the Company to provide financial advisory and consulting services on or about August 2018, shortly before I was appointed as Acting Chief Financial Officer.

3. On the date hereof (the "Petition Date"), each Debtor filed a voluntary petition for relief with the United States Bankruptcy Court for the District of Delaware (the "Court") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), thereby commencing these chapter 11 cases (collectively, the "Chapter 11 Cases"). The Debtors intend to operate their business and manage their properties as debtors in possession during the pendency of these Chapter 11 Cases.

4. The Debtors commenced these Chapter 11 Cases to implement a comprehensive financial restructuring through the *Joint Prepackaged Chapter 11 Plan of Reorganization for The Collected Group, LLC and Its Debtor Affiliates* (as amended, modified, or supplemented from time to time, the "Prepackaged Plan")[2], filed simultaneously herewith. The Prepackaged Plan contemplates the consummation of the Restructuring Transactions that, among other things, will (a) deleverage the Debtors' balance sheet by approximately $150 million, (b) materially reduce the Debtors' annual interest expense, (c) provide the Debtors with up to $30 million of exit financing to support their go-forward operations, and (d) put the Reorganized Debtors in a position to succeed and capitalize on further growth opportunities. The Restructuring

[2] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Prepackaged Plan.

Transactions are supported by: (a) all of the Debtors' Prepetition Secured Lenders, including funds advised by KKR Credit Advisors (US) LLC ("KKR") and certain affiliates of Callodine Commercial Finance ("Callodine"); (b) KKR Loan Administration Services LLC, as administrative agent for the Prepetition Secured Lenders (in such capacity, the "Prepetition Agent"); and (c) the Company's equity sponsors—certain affiliates of KKR (in such capacity, the "Current Sponsors").

5. At the direction of a special independent restructuring committee of The Collected Group, LLC's Board of Managers (the "Board" and such committee, the "Special Committee"), comprised of two independent and disinterested Board members, each of whom has significant restructuring experience, the Debtors negotiated the terms of a comprehensive restructuring that is embodied in the Prepackaged Plan. The Debtors seek to implement the Prepackaged Plan on a timeline that will maximize enterprise value, which the Debtors believe will allow the Company to emerge from chapter 11 well-positioned to capitalize on its thriving—and growing—e-commerce platform, as well as its established wholesale channels. Accordingly, the Debtors solicited votes with respect to the Prepackaged Plan prior to the Petition Date, and have filed a motion contemporaneously herewith seeking to schedule a hearing to consider confirmation of the Prepackaged Plan on or about May 20, 2021, subject to the Court's availability, and to emerge from bankruptcy within 60 days of the Petition Date.

6. The Prepackaged Plan provides for the treatment of Claims against and Interests in the Debtors through, among other things: (1) the issuance of the New Common Equity and New Preferred Equity; and (2) conversion of certain Claims into loans under the Exit Facility. Specifically, the Prepackaged Plan contemplates the following:

- on the Effective Date, (i) any outstanding DIP Payments shall be paid in full in Cash and (ii) the remaining DIP Facility Claims shall be converted into Exit Facility Loans;

- holders of Allowed First Priority Secured Claims shall receive their pro rata share of: (i) $14,500,000 of Exit Facility Loans; (ii) one-hundred percent (100%) of the New Preferred Equity; and (iii) ninety-five percent (95%) of the New Common Equity, subject to dilution by the MIP Equity;

- holders of Allowed Second Priority Secured Claims shall receive five percent (5%) of the New Common Equity, subject to dilution by the MIP Equity;

- Third Priority Secured Claims shall be canceled, released, and discharged and shall be of no further force and effect, and each holder of a Third Priority Secured Claim shall not be entitled to receive any distribution under the Plan on account of such Claim;

- General Unsecured Claims (which excludes unsecured Claims paid pursuant to separate Court order) shall be canceled, released, and discharged and shall be of no further force and effect, and each holder of a General Unsecured Claim shall not be entitled to receive any distribution under the Plan on account of such Claim;

- Existing Equity Interests shall be canceled, released, and extinguished and shall be of no further force or effect, and each holder of an Existing Equity Interest shall not be entitled to receive any distribution under the Plan on account of such Interest;

- Intercompany Claims and Intercompany Interests may be Reinstated as of the Effective Date or, at the Debtors' or the Reorganized Debtors' option, be canceled, and no distribution shall be made under the Plan on account of such Claims; and

- holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Other Secured Claims, Allowed Other Priority Claims, and Allowed Professional Claims shall be (1) paid in full in Cash, (2) Reinstated, or (3) otherwise rendered Unimpaired, as applicable.

7. Given the Prepetition Secured Lenders' role in the Debtors' capital structure, their affiliates' equity holdings in the Debtors, and the consequences the Prepackaged Plan would have for such parties, the Prepackaged Plan was considered and ultimately approved by the Special Committee, an independent and disinterested subset of the Debtors' Board of Managers, which was delegated exclusive authority to assess the terms, structure, and propriety of any restructuring transactions. As outlined below, the Special Committee reached its conclusions with respect to the Prepackaged Plan and the ultimate commencement of these Chapter 11 Cases after conducting and

participating in an independent investigation into potential claims against the Prepetition Secured Lenders and the Current Sponsors.

8. Having obtained authority from the Special Committee, the Debtors solicited acceptance of the Prepackaged Plan from holders in the two impaired classes entitled to vote on the Prepackaged Plan, and holders of the First Priority Secured Claims and Second Priority Secured Claims (including non-insiders) unanimously voted to accept the Prepackaged Plan prior to the Petition Date. After receiving the requisite votes to confirm the Prepackaged Plan, the Debtors commenced these Chapter 11 Cases to effectuate the Restructuring Transactions.

9. This declaration (this "Declaration") is submitted (i) to provide an overview of the Debtors and these Chapter 11 Cases and (ii) in support of the Debtors' chapter 11 petitions and "first day" motions (each a "First Day Motion", and collectively, the "First Day Motions"), which have been filed to minimize the adverse effects of filing for chapter 11 protection and enhance the Debtors' ability to maximize value for the benefit of their estates and creditors.

10. If called as a witness, I could and would competently testify to the matters set forth herein. Given my various roles with the Debtors in the last few years, including my current position as CRO, I have personal knowledge of the Debtors' day-to-day operations, business affairs, financial condition and books and records. My testimony herein is based on (i) my personal knowledge as an officer and advisor to the Debtors, (ii) my review of the Debtors' books and records, and (iii) information compiled and communicated to me by the Debtors' senior management, by other employees of the Debtors and the Debtors' professional advisors, including BRG.

11. Prior to the commencement of these Chapter 11 Cases, I (i) reviewed and discussed the Debtors' strategy regarding the development of potential restructuring alternatives

and, ultimately, implementation of the Prepackaged Plan; (ii) supervised the preparation of the documentation needed to implement the restructuring initiatives contemplated during these Chapter 11 Cases, including the Prepackaged Plan and the First Day Motions; and (iii) consulted on a regular basis with the Debtors' other senior management members and outside advisors with respect to the foregoing.

12. Section I of this Declaration describes the Debtors' corporate structure, governance model, business history and prepetition indebtedness. Section II describes the events and circumstances that triggered the commencement of these Chapter 11 Cases. Section III discusses the Restructuring Transactions, the Prepackaged Plan, efforts to obtain postpetition financing, and the Debtors' proposed confirmation timeline. Finally, Section IV sets forth the relevant facts in support of the First Day Motions and summarizes the relief requested thereby.

I. Corporate Structure, Business History and Prepetition Indebtedness

A. Corporate Structure

13. As reflected in the Corporate Organization Chart attached hereto as **Exhibit A**, Debtor The Collected Group, LLC ("TCG"), the ultimate parent company in the Company's corporate structure, wholly owns Debtors RBR, LLC ("RBR") and The Collected Group Company, LLC ("TCGC"). RBR wholly owns non-debtor The Collected Group Holdings Manager, LLC, which, in turn, wholly owns non-debtor The Collected Group Holdings, LLC. TCGC wholly owns Debtors The Collected Group Retail, LLC and The Collected Group Exports, Inc., as well as non-debtor foreign affiliates The Collected Group Canada Mode, ULC and The Collected Group U.K. Limited.

B. The Debtors' History, Brands, and Business Operations

14. Founded in 2001, TCG is recognized globally as a leading designer, distributor, and retailer of three contemporary, consumer-inspired, apparel lifestyle brands: Joie®, Equipment®, and Current/Elliott®.[3]

(i) The Debtors' Brands

15. Each brand in TCG's portfolio offers a distinct point of view with superior design, craftsmanship, and attention to detail at a compelling value. The Company's brands are regularly worn by celebrities and social media influencers, including Jennifer Aniston, Sarah Jessica Parker, Eva Longoria, Cameron Diaz, Drew Barrymore, Kate Middleton, and Meghan Markle, among others. In addition to being associated with those well-known customers, in recent years the Company's brands have been featured on the cover of popular magazines such as *Vogue* (September 2019), *Cosmopolitan* (September 2018), *WWD* (October 2020), *Harper's Bazaar* (November 2020), *You Magazine UK* (January 2020), and *Grazia France* (July 2019).

(a) Joie

16. Since its inception in 2001, Joie has been one of the most sought-after contemporary brands catering to the fashion-minded woman. Implementing its concept, "Effortless, Easeful and Luxurious", Joie offers accessible luxury and effortless style, with a focus on wearable, feminine clothing in natural fibers. Originally known for its signature silk blouses and coastal inspirations and aesthetic, Joie has emerged as a lifestyle brand, complete with a collection of ready-to-wear designs, accessories, and fragrances. Joie is the Company's largest brand, accounting for approximately 55% of net sales in 2020. At the height of the retail strategy pursued by prior management, Joie operated approximately 24 brick-and-mortar retail locations.

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[3] www.joie.com , www.currsentelliott.com, and www.equipmentfr.com.

(b) *Equipment*

17. Founded in Paris in 1976 and relaunched by TCG in 2010, Equipment offers classic, minimalist styles crafted with pure sustainable silk that ensures reduced environmental impact and an incredibly soft touch. Catering to a broad customer base, Equipment's line includes luxurious staples rooted in versatility. Equipment accounted for approximately 35% of net sales in 2020 and, at the height of the retail strategy pursued by prior management, operated approximately 6 brick-and-mortar retail locations.

(c) *Current/Elliott*

18. Launched in 2008, Current/Elliott, a brand primarily focused on authentic denim, is best known as the inventor of the "Boyfriend Jean". Current/Elliott offers updated and edgy silhouettes with clean tailoring and classic washes, expertly handcrafted in beautiful fabrics chosen for their authentic character. Current/Elliot accounted for approximately 11% of net sales in 2020 and, at the height of the retail strategy pursued by prior management, operated approximately 3 brick-and-mortar retail locations.

(ii) The Debtors' Sales Channels

19. Prior to the Petition Date, the Company sold its merchandise through the following channels: (i) leased retail stores, (ii) national department store chains and specialty stores (collectively referred to as "wholesale"), some of which are listed in paragraph 21, below, and (iii) e-commerce.

(a) *Leased Retail Stores*

20. At the height of the retail strategy pursued by prior management, the Company operated approximately 33 standalone Company stores. As a result of closures mandated by the COVID-19 pandemic, and reduced retail traffic caused by the continuation of the pandemic even following relaxing of restrictions, the Company determined that it was in its best interest to

transition its business to focus exclusively on sales through its e-commerce platform and wholesale channels. In furtherance of that business strategy, the Company surrendered all of its stores to landlords, at various times prior to the Petition Date, whether through consensual termination agreements or otherwise. Following the March 2020 closure of all of its retail locations in accordance with governmental guidance, the Company re-opened and operated only three retail locations, all Joie stores in: the fourth quarter of 2020 (a) Newport Beach, California, (b) Greenwich, Connecticut, and (c) Boston, Massachusetts (collectively, the "Active Stores"). Prior to the date hereof, the Debtors have vacated and surrendered all of their leased premises back to their respective landlords and, simultaneously herewith, moved to reject the leases for all of their retail locations, including the Active Stores, effective as of the Petition Date. In seeking such relief, the Debtors have included, out of an abundance of caution, those leases that may have expired by their own terms or upon agreement with applicable counterparties at various points prior to the Petition Date.

(b) *Wholesale*

21. The Company also sells and distributes its merchandise through certain luxury retailers such as Bloomingdale's, Harvey Nichols, Neiman Marcus, Net-A-Porter, Nordstrom, Rent the Runway, Revolve, and Saks Fifth Avenue. Collectively, the Company's three brands are sold in 305 wholesale stores in the United States, and carried internationally in an additional 272 stores. In 2019, wholesale was the Company's largest distribution channel, comprising approximately 67% of the Company's net sales; in 2020, as the Company's wholesale customers dealt with COVID-mandated shutdowns of their own retail locations and reduced orders as a result, wholesale channels accounted for approximately 45% of net sales.

(c) The E-Commerce Business

22. The Company sells and distributes merchandise through its three brand websites, www.joie.com , www.currentelliott.com, and www.equipmentfr.com (the "E-Commerce Business"). The E-Commerce Business is a fast growing, well-invested channel which allows the brands to effectively curate and visually present a cohesive image to a global audience and wholesalers. The E-Commerce Business accounted for 16% of net sales in 2019, but due to certain initiatives led by senior management and the effects of the COVID-19 pandemic, including an increase in online shopping occasioned by the COVID-mandated closure of many retail stores, the E-Commerce Business flourished in 2020, accounting for almost half of the Company's net sales.

23. The Company's merchandise is fabricated by both domestic and foreign vendors, and is generally received, sorted, and repacked at their distribution warehouse facility located in Chino, California (the "Distribution Center"), which also serves as the Company's corporate headquarters. Merchandise is then distributed from the Distribution Center to the Company's retail stores (prior to their closure), wholesale partners, or held until shipped to online shoppers.

(iii) The Company's Employees

24. As of the Petition Date, the Debtors employ approximately 125 employees full-time basis and one employee on a part-time basis.[4] The vast majority of the employees work remotely throughout the United States, and the remaining employees work at the Debtors' Distribution Center. The Debtors' employees are not covered by a collective bargaining agreement.

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[4] The Debtors' current employee count reflects the recent termination of certain employees at the Active Stores.

C. Prepetition Indebtedness

25. As of the Petition Date, the Debtors have approximately $185.3 million in outstanding funded debt (exclusive of accrued interest and fees), in addition to approximately $35,500,000 in unsecured obligations, inclusive of amounts owed to the Debtors' landlords for past-due rent and potential rejection damage claims arising from rejection of applicable leases.

(i) Prepetition Secured Obligations

26. Pursuant to that certain Amended and Restated Credit Agreement dated as of May 15, 2015 (as amended, supplemented, restated or otherwise modified prior to the Petition Date, the "Prepetition Credit Agreement", and collectively, with any other agreements and documents executed or delivered in connection therewith, each as may be amended, restated, amended and restated, supplemented, or otherwise modified prior to the Petition Date, the "Prepetition Loan Documents") by and among TCGC, as borrower (the "Prepetition Term Loan Borrower"), and each other loan party thereto, the Prepetition Agent, and the lenders party thereto (collectively, the "Prepetition Secured Lenders", and together with the Prepetition Agent, the "Prepetition Secured Parties"), the Prepetition Secured Lenders provided certain senior secured term loan credit facilities (the "Prepetition Facility") to the Debtors.

27. Pursuant to the Prepetition Facility, the Prepetition Secured Lenders provided Initial Term Loan A Loans, Initial Term B Subordinated Loans, Bridge Term Loans, Delayed Draw Term Loans, Eighth Amendment Term Loans, Twelfth Amendment Term Loans, and Thirteenth Amendment Term Loans (each as defined in the Prepetition Credit Agreement and collectively, the "Prepetition Term Loans") to the Debtors. Interest on the Initial Term A Loans, Initial Term B Subordinated Loans, Delayed Draw Term Loans, Bridge Term Loans, and Eighth Amendment Term Loans may be paid in kind and accrues at 10.75% plus the Alternate Base Rate (as defined in the Prepetition Credit Agreement), which is equal to the greatest of (a) the Prime

Rate, (b) the Federal Funds Effective Rate plus 0.50%, and (c) LIBOR plus 1.00%, subject to a 2.00% floor. The Twelfth Amendment Term Loans and the Thirteenth Amendment Term Loans do not accrue interest. The Prepetition Term Loans have a stated maturity date of January 21, 2024.

28. The Prepetition Facility also includes Backstop Obligations (as defined in the Prepetition Credit Agreement). Interest on the Backstop Obligations may be paid in kind and accrues at 10.75% plus the Alternate Base Rate (as defined in the Prepetition Credit Agreement). The Backstop Obligations are also subject to quarterly amortization in an amount equal to 0.625% of the original principal amount of any Backstop Obligations outstanding at such time. Under the Prepetition Facility, Backstop Obligations are deemed to be incurred in the amount of any draw under the KKR-GB Backstop Letter of Credit (as defined below).

29. Under the Prepetition Facility, after the Prepetition Term Loans and Backstop Obligations have become due and payable, payments and distributions on the Prepetition Term Loans and Backstop Obligations shall be applied in the following order: first, to the Backstop Obligations; second, to the Bridge Term Loans, Eighth Amendment Term Loans, Twelfth Amendment Term Loans, and Thirteenth Amendment Term Loans; third, to the Initial Term A Loans and Delayed Draw Term Loans' and fourth, to the Initial Term B Subordinated Loans.

30. As of the Petition Date, the aggregate outstanding principal amount of (i) Initial Term A Loans will be $84,952,671.99, (ii) Initial Term B Subordinated Loans will be $26,453,683.32, (iii) Bridge Term Loans will be $4,603,818.69, (iv) Delayed Draw Term Loans will be $19,388,309.35, (v) Eighth Amendment Term Loans will be $5,417,569.31, (vi) Twelfth Amendment Term Loans will be $3,000,000; (vii) Thirteenth Amendment Term Loans will be $2,000,000; and (viii) Backstop Obligations will be $39,500,000. In total, as of the Petition Date, the Debtors are indebted and jointly and severally liable to the Prepetition Secured Lenders in the

aggregate principal amount outstanding under the Prepetition Facility of approximately $185.3 million (together with accrued and unpaid interest, any fees, expenses and disbursements (including, without limitation, any accrued and unpaid attorneys' fees, accountants' fees, appraisers' fees and financial advisors' fees, and related expenses and disbursements), indemnification obligations, and other charges, amounts and costs of whatever nature owing, whether or not contingent, whenever arising, accrued, accruing, due, owing, or chargeable in respect of any of the Debtors' obligations in connection with the Prepetition Facility pursuant to the Prepetition Loan Documents, the "Prepetition Secured Obligations").

(ii) Prepetition Liens and Prepetition Collateral

31. The Prepetition Secured Obligations are secured by a continuing first-priority lien and security interest in substantially all of the Debtors' property and assets, including, without limitation, (i) deposit accounts and other Account Collateral (as defined in that certain Collateral Agreement, dated as of May 15, 2015 (as amended, restated, supplemented, amended and restated, or otherwise modified from time to time, the "Collateral Agreement"); (ii) equipment, (iii) inventory; (iv) Goods, (v) intellectual property, (vi) investment property, (vii) Letter-of-Credit Rights (as defined in the Collateral Agreement), (viii) accounts, (ix) all books and records of such Grantor pertaining to any of the collateral, (x) General Intangibles, and (xi) Pledged Securities (as defined in the Collateral Agreement) (all together, the "Prepetition Collateral"), but excluding certain "Excluded Assets" (as defined in the Prepetition Credit Agreement).

(iii) Unsecured Funded Debt

32. Prior to the Petition Date, there was approximately $39.5 million in outstanding unpaid principal, plus accrued and unpaid interest, fees, and other amounts under that certain Credit Agreement dated as of October 22, 2020 (as amended, supplemented, restated or otherwise modified prior to the Petition Date, the "Unsecured WF Loan Agreement" and the loans

thereunder, the "Unsecured WF Loans") by and among Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent and lender, TCGC, as the borrower, and KKR Lending Partners II L.P., as the L/C Applicant (as defined thereunder). The Unsecured WF Loan is backstopped by a letter of credit issued by Sumitomo Mitsui Banking Corporation for the benefit of Wells Fargo Bank, National Association, with KKR Lending Partners II L.P., as applicant (the "KKR-GB Backstop Letter of Credit"). Interest on the Unsecured WF Loans accrues at 2.50% plus the LIBOR Rate (as defined in the Unsecured WF Loan Agreement) or 1.50% plus the Base Rate (as defined in the Unsecured WF Loan Agreement). The Unsecured WF Loans have a maturity date that is the earlier of (a) October 22, 2023 or (b) the date that is ninety days prior to the date that the Prepetition Secured Obligations become due and payable. Upon the commencement of these Chapter 11 Cases, the Debtors anticipate that Wells Fargo will execute a draw on the KKR-GB Backstop Letter of Credit, recovering 100% on account of the Unsecured WF Loans and trigging the Backstop Obligations under the Prepetition Credit Agreement, thereby increasing the total outstanding principal amount of the Prepetition Secured Obligations to approximately $185.3 million.

II. Circumstances Leading to the Commencement of These Chapter 11 Cases and Prepetition Restructuring Efforts

A. The 2018 Restructuring

33. In 2017, when TA Associates owned the Company (the "Former Sponsor"), TCG sought to implement a new Company-wide enterprise resource planning ("ERP") system. The ERP system went live without critical warehouse and logistics functionality operating, which significantly impaired the Company's ability to ship orders and move goods across channels for nine months, negatively impacting revenue, distribution, cash flow, and wholesale relationships. The Company consequently suffered an immediate loss of seasonal revenue in the fourth quarter of

2017 and first quarter of 2018, as well as longer-term consequences from wholesale customers who questioned the availability and delivery reliability of Joie, Equipment, and Current/Elliott merchandise.

34. Despite fully resolving its ERP issues in 2018, the Company's reduced revenues and profits in 2017 and the first half of 2018 caused numerous covenant defaults under the Company's then existing funded indebtedness. After extensive arm's length negotiations amongst the Company, the Former Sponsor, and certain affiliates of KKR and Callodine (f/k/a Gordon Brothers Finance Company) that were the holders of substantially all of the Company's funded indebtedness, the Company completed an out-of-court restructuring (the "2018 Restructuring") through which the KKR affiliates and Callodine affiliates provided approximately $15 million of new money financing in the form of additional term loans, and equitized approximately $40 million of their secured debt (while still remaining the Company's largest debt holders).

35. Consummating the 2018 Restructuring improved the Company's liquidity position, and allowed the Company to re-invest and focus on building its e-commerce and wholesale distribution channels, thereby improving its go-forward margins and overall profitability. With the Current Sponsors' support and direction, the Company implemented a strategic plan, pursuant to which the Company, among other things: (a) expeditiously resolved its lingering ERP issues and stabilized its financial performance; (b) successfully improved its automated processes, resulting in significant operating expense savings; (c) undertook a full retail portfolio review and restructuring, with the benefit of outside advisors, and, where feasible, exited certain retail locations on favorable terms with applicable landlords; and (d) launched its new e-commerce platform in early 2020, accelerating direct to consumer ("DTC") revenues.

36. In addition, in further support of the Company's new initiatives, between August 2019 and February 2020, the Prepetition Secured Lenders provided approximately $34 million of loans to the Company, of which approximately $29 million went directly to fund the Company's operations, and the additional $5 million provided collateral support for the Company's then existing working capital facility (the "Prior ABL Facility" and the lenders thereunder, the "Prior ABL Lenders") to free up additional liquidity for the Company from the Prior ABL Lenders.

B. Prepetition Marketing Efforts

37. The 2018 Restructuring and the aforementioned strategic initiatives and new money financing helped the Company strengthen and grow its business. Looking to build upon that success, the Company engaged Stifel Financial Corp. ("Stifel") as its investment banker to, among other things, canvass the market for a value maximizing M&A transaction (the "Prepetition Marketing Process"). Stifel embarked upon a comprehensive sale and marketing process. Specifically, during late 2019 and into early 2020, Stifel contacted 213 potential strategic and financial investors that it believed would likely participate in a sale process. From this initial outreach, 37 parties executed non-disclosure agreements ("NDAs") and received access to a data room. During this Prepetition Marketing Process, numerous potential purchasers submitted indications of interest to acquire the Company's brands; however, starting in March 2020, when the COVID-19 pandemic caused numerous states and countries to implement stay-at-home orders, these potential purchasers either reduced their proposed purchase prices from their initial indications, or, alternatively, informed Stifel they would not further pursue the opportunity until the effects of COVID-19 on the business could be understood.

C. COVID-19 Disrupts the Debtors' Business

38. After promising progress in January and February 2020, and in the midst of the Prepetition Marketing Process, the Company's business was significantly impaired by the

effects of the COVID-19 pandemic, which, among other things, resulted in extended closures of all retail stores, further strained liquidity, and diminished access to new inventory from certain vendors. The COVID-19 pandemic also compounded certain challenges facing the Company, as already-declining foot traffic was decimated upon the onset of the COVID-19 pandemic, with most stores closed in accordance with health guidelines and most consumers meeting their shopping needs online. In addition, certain wholesale counterparties closed their distribution centers and canceled or returned a substantial number of orders.

39. As a result of the aforementioned challenges, retail revenues plummeted by over 85%, and wholesale revenues were reduced by almost 70% in 2020. Accordingly, the Company decided to pause the Prepetition Marketing Process to allow the Company to focus on addressing the impact of COVID-19 on the Company's revenues and operations. A key component of the Company's strategy was, and continues to be, doubling down on its E-Commerce Business. The Company presciently refocused on, and invested in, its E-Commerce Business beginning in 2019, consistent with consumers' increasing preferences for online shopping. The COVID-19 pandemic accelerated that shift, and the E-Commerce Business is now a pillar for the Company's future. The revenue generated by the Company's E-Commerce Business has grown at an accelerating rate in each of the last three years, with revenue from the E-Commerce Business representing approximately 49% of the Company's total revenue in 2020.

	2017	**2018**	**2019**	**2020**
Annual E-Commerce Revenue	$15.4mm	$16.1mm	$20.3mm	$27.8mm
Change vs. Prior Year	-9%	+5%	+26%	+37%
% of Total Revenue	8%	12%	16%	49%

40. While the growth of the Company's E-Commerce Business helped to partially offset the effects of the COVID-19 pandemic, it was not enough to prevent the Company's total revenue from decreasing substantially. The Company accordingly took action to preserve liquidity while the pandemic continued, including: (a) furloughing and/or terminating certain employees; (b) implementing temporary management pay reductions ranging from 20% to 75%; (c) suspending rent payments to landlords; and (d) deferring all discretionary operating expenditures to the extent not needed to support the E-Commerce and key wholesale channels. Operating expenses fell significantly as a result of these actions.

41. By the second half of 2020, the Company needed a further liquidity infusion. In August 2020, the Prepetition Secured Lenders provided an additional $5 million to satisfy obligations under the Prior ABL Facility that the Company was otherwise unable to satisfy at the time, and provide collateral support for certain surety bond obligations, which was necessary to enable the Company to obtain an extension of the Prior ABL Facility's stated maturity date. At this time, the Company, with the assistance of Stifel, pursued a refinancing of the Prior ABL Facility. Over the subsequent months and after receiving several term sheets, in October 2020, the Company fully refinanced the Prior ABL Facility with the Unsecured WF Loans (the "2020 Refinancing"). The 2020 Refinancing was only possible due to the support of the Prepetition Secured Lenders, who agreed to provide a letter of credit backstopping the Unsecured WF Loans that ensured payment in full for Wells Fargo.

42. As the effects of the pandemic lingered, the Company continued to need new financing to maintain its operations. The Company pursued an upsizing of its Unsecured WF Loans in November 2020, as was planned when the original facility was agreed to in October 2020. To accommodate the Company's liquidity needs while the Company and Wells Fargo negotiated the

terms of the upsizing, the Prepetition Secured Lenders funded an additional $2 million of new money loans (the "Interim Bridge Loan"). In late November 2020, Wells Fargo agreed to upsize the Unsecured WF Loans, on the condition that the Prepetition Secured Lenders provide additional letter of credit support, and the Prepetition Secured Lenders accommodated Wells Fargo's condition by providing an additional $7.5 million of collateral support for the Unsecured WF Loans, which in turn provided the Company access to a like amount of new liquidity from Wells Fargo. As part of the negotiated arrangement to upsize the Unsecured WF Loans, the Company earmarked $2 million to repay the Interim Bridge Loan, which was a short-term bridge loan to enable the Debtors to obtain the additional liquidity from Wells Fargo. These new money capital infusions by the Prepetition Secured Lenders were instrumental in keeping the Company afloat; however, with retail locations largely closed, liquidity concerns reappeared around the end of 2020 as the ongoing growth of the E-Commerce Business began to slow due to supply chain issues that limited units available for sale. Inventory scarcity issues were also driven by the strategic decision to cancel certain fashion development seasons in Q4 2020 to mitigate against rising COVID-19 cases and the related uncertainty with respect to customer apparel buying habits until the pandemic's effects subside.

43. During the fourth quarter of 2020, as lease and trade liabilities continued to increase, the Company considered reopening certain retail locations. The Company had been in lease negotiations with its landlords throughout 2020, and began engaging in re-opening discussions only once COVID-19 restrictions on indoor shopping began to abate. The Company determined that it could reopen its retail locations only if relevant landlords would agree to variable rent structures and/or forgive rent that accrued during the timeframe that the Company's stores were closed for safety reasons during COVID-19. The Company endeavored to consummate agreements

with all landlords that would preserve maximum post-pandemic optionality, but the Company was only able to reach agreement with a limited number of landlord counterparties, resulting in the Active Stores reopening. Unfortunately, these locations have not performed well as the ongoing effects of the pandemic have continued to limit retail foot traffic. These struggles, coupled with an increasing number of default notices from other landlords, caused the Company to make the difficult determination that brick-and-mortar retail operations were no longer viable for the Company.

D. Consideration of Strategic Alternatives

44. As the Company's performance continued to suffer, due in large part to the lasting effects of the COVID-19 pandemic, it became clear that the Company needed not only to exit brick-and-mortar retail, but also to restructure its capital structure to reflect its significantly diminished revenue levels. In January 2021, the Company determined that it was prudent to engage restructuring counsel to ensure that all appropriate restructuring options were taken into consideration. Accordingly, the Company retained Paul, Weiss, Rifkind, Wharton & Garrison, LLP ("Paul, Weiss") and Young Conaway Stargatt & Taylor, LLP ("Young Conaway") as restructuring co-counsel to assist the Company in assessing and implementing its strategic alternatives. The Company also re-engaged Stifel and its affiliate Miller Buckfire & Co., LLC ("Miller Buckfire" collectively with Paul, Weiss, Young Conaway, and Stifel, the "Advisors") as its investment banker to relaunch the Company's Prepetition Marketing Process and provide investment banking advisory services.

45. By the beginning of February 2021, the Company faced a severe liquidity shortfall and lacked sufficient liquidity to continue operations. With the assistance of the Advisors, the Company negotiated with KKR to provide an additional $5 million in essential bridge financing under the Prepetition Facility to extend the Company's liquidity runway and provide the Company

a meaningful opportunity to pursue its strategic alternatives, including the pursuit of certain liability management strategies, the relaunching of the Company's sale process, and contingency planning for a potential chapter 11 filing to implement a comprehensive restructuring transaction.

46. As the Company's focus turned toward pursuing its strategic alternatives, the Board determined that it was appropriate and in the best interest of all stakeholders for an independent special committee of the Board to be formed to assess and determine the path forward to maximize value for the benefit of all stakeholders. Accordingly, on February 10, 2021, the Board formed the Special Committee, comprised of two independent and disinterested members with significant restructuring experience, Messrs. Bradley Dietz and John Brecker. Pursuant to the Board's resolutions establishing the Special Committee (the "Special Committee Resolutions"), the Special Committee was vested with the full and exclusive power and authority of the Board to, among other things: (a) plan for and evaluate potential strategic alternatives and contingency planning, which may include a potential sale, the refinancing of the Company's existing indebtedness, an amendment to the Prepetition Credit Agreement, a restructuring and/or a reorganization of the Debtors (the "Restructuring Matters"); and (b) determine what actions should be taken with respect to any Restructuring Matters. Additionally, the Special Committee Resolutions vested the Special Committee with the full and exclusive power and authority of the Board to: (a) oversee an independent investigation of any potential claims and causes of action of the Company that may exist against the Company's insiders (collectively, the "Potential Causes of Action"); and (b) determine what actions should be taken on account of such Potential Causes of Action, if any.

47. Under the direction and oversight of the Special Committee, beginning in February 2021, with the assistance of Paul, Weiss, the Company engaged extensively with

substantially all of its landlords and material vendors, having one-on-one meetings with each, seeking to negotiate lease termination arrangements and meaningful concessions from vendors (the "Landlord/Vendor Negotiations"). These efforts were targeted at compromising some of the Company's largest unsecured obligations, which if successful could have enabled the Company to implement an out-of-court restructuring, avoid the substantial costs and delays associated with chapter 11, and use the resulting cost savings to fund partial payments of general unsecured claims. While many of the Company's landlords and material vendors were willing to entertain and accept the Company's proposed lease termination arrangements or vendor concessions, as applicable, the Company was unable to gain the necessary levels of support from these parties to avoid commencing these Chapter 11 Cases.

48. With the Landlord/Vendor Negotiations proceeding in parallel, the Special Committee also directed that Stifel relaunch the Company's Prepetition Marketing Process in February 2021. As part of this process, Stifel reached out to 212 potential interested parties, including 18 brand managers, 77 strategic buyers, and 117 financial buyers. Of these 212 potential interested parties, 166 received a teaser, 36 of which executed NDAs and received a confidential information memorandum and access to a diligence data room. As of the Petition Date, the Company has received a handful of indications of interest from potential purchasers, including some offers to acquire all three of the Company's brands and others seeking to acquire one or two of the Company's brands. These indications of interest reflect potential transaction values well below the amount of the secured debt. While the Debtors have commenced these Chapter 11 Cases to pursue confirmation of the Prepackaged Plan, which contemplates a higher and better valuation proposition for the Debtors' stakeholders as compared to the indications of interest received through the sale process thus far, the Debtors through Stifel will continue their marketing process on a post-

petition basis. To the extent a potential purchaser emerges from the sale process prior to confirmation of the Plan, and provides a greater value proposition than that reflected in the Plan, the Debtors will exercise their fiduciary duties to pursue the value maximizing path for the benefit of all stakeholders, which may include pivoting away from the Prepackaged Plan and pursuing such sale transaction.

49. While the Debtors actively attempted to reach agreements with their landlords and vendor counterparties, and pursue a robust sale process, the Debtors and the Advisors, under the direction and oversight of the Special Committee, also engaged with the Prepetition Secured Lenders regarding a comprehensive restructuring that would significantly deleverage the Debtors' balance sheet, enable the Debtors to exit their retail footprint, and address their vendor liabilities. These arm's-length and good faith negotiations culminated in the Prepackaged Plan, which contemplates a series of Restructuring Transactions to substantially deleverage of the Debtors' balance sheet, focus resources on the Debtors growing e-commerce and DTC platforms, and put the Debtors in a position to succeed in a highly-competitive industry going forward.

E. Special Committee Investigation

50. As discussed above, in addition to the full delegation of the Board's authority with respect to Restructuring Matters, the Board also delegated full authority to the Special Committee to assess and investigate Potential Causes of Action. Accordingly, while the Debtors pursued their strategic alternatives, the Special Committee also undertook an independent investigation of the Potential Causes of Action (the "Investigation").

51. The Special Committee retained Young Conaway to assist and advise the Special Committee in connection with the Investigation and to undertake a thorough review of the Potential Causes of Action. At the conclusion of this Investigation—which included interviews of nine (9) individuals familiar with the Debtors' operations, capital structure, and governance, the

review of any transfers to the Current Sponsors, and a review of corporate records—the Special Committee concluded that the Prepackaged Plan releases for the Company's insiders were supported by the absence of Potential Causes of Action and made corresponding recommendations to the Board with respect to such conclusions prior to solicitation of the Prepackaged Plan.

III. The Proposed Restructuring Transaction and Debtor-in-Possession Financing

A. The Proposed Restructuring Transaction

52. Toward the end of March 2021, it became clear that the Debtors' Landlord/Vendor Negotiations would not foster the necessary concessions to avoid a chapter 11 filing, and the sale and marketing process had not generated any indications of interest with proposed valuations that remotely approached the amount of the Prepetition Secured Obligations or even a value that was attractive to the Prepetition Secured Lenders. Accordingly, the Special Committee determined that it was in the Debtors' best interests to commence these Chapter 11 Cases to, among other things, right-size the Company's balance sheet and preserve and enhance the Company's thriving E-Commerce Business, which had grown by over 70% from 2018 to 2020, and key wholesale channels. The Current Sponsors' representatives who hold seats on the Board recused themselves from the Debtors' consideration of the Prepackaged Plan and the transactions described therein, and such decisions were made solely by the Special Committee upon the conclusion of the Investigation described above.

53. The Company believes that the best path forward is to restructure the business through the Prepackaged Plan, thereby reducing the Company's secured debt from $185.3 million (plus accrued interest and fees) to approximately $30 million, relieving the Company of its legacy and burdensome rent obligations, and allowing the Company to preserve and enhance its unique and highly-regarded brand offerings through e-commerce and wholesale sales. Importantly, the Prepackaged Plan will also save a significant number of jobs and preserve

many important vendor relationships. Given that the Prepetition Secured Lenders have perfected liens on the Prepetition Collateral, and that an asset sale process has already occurred without identifying a viable buyer, the Company is proposing an organized and efficient restructuring that will maximize value and minimize operational disruptions and administrative costs. Notwithstanding this decision, however, the Company is not foreclosing the possibility of pivoting to a sale to third party buyer(s), in an exercise of Board's fiduciary duties, in the event that a viable third-party purchaser is identified through the ongoing sale and marketing process being led by Stifel.

54. On April 1, 2021, with the approval of the Special Committee, the Debtors solicited votes to accept or reject the Prepackaged Plan from holders of First Priority Secured Claims and Second Priority Secured Claims, who are the holders of claims in Class 3 and Class 4, the only classes entitled to vote under the Prepackaged Plan. The holders of claims in Class 1 (Other Secured Claims) and Class 2 (Other Priority Claims) were deemed to accept the Prepackaged Plan and were not entitled to vote. Additionally, the holders of claims in Class 5 (Third Priority Secured Claims), Class 6 (General Unsecured Claims), and Class 9 (Existing Equity Interests) were deemed to reject the Prepackaged Plan and were not entitled to vote. Holders of claims in Class 7 (Intercompany Claims) and Class 8 (Intercompany Interests) will either be unimpaired or fully impaired, and therefore were not entitled to vote.

55. The Debtors, with the assistance of their solicitation agent, Epiq Corporate Restructuring ("Epiq"), prepared and emailed the ballots to the appropriate entities in each voting class and received and tabulated the votes prior to the Petition Date. Epiq has informed me that the Prepackaged Plan was accepted by 100% of holders of Claims in Class 3 and Class 4 (each of which includes the vote of a non-insider creditor). After receiving these necessary votes, the Debtors

commenced the Chapter 11 Cases, which I believe is in the best interests of the Debtors, their creditors, and all other parties in interest.

B. Postpetition Financing

56. To enable the Debtors to fund the administration of these Chapter 11 Cases and consummate the Prepackaged Plan, the Debtors, through Miller Buckfire, solicited post-petition financing proposals from certain parties, including the Prepetition Secured Lenders.[5] Given the existing liens on substantially all of the Debtors' assets and the need for immediate access to cash, I believe that the Prepetition Secured Lenders were the most practical, reasonable and, indeed, only viable source of financing. Accordingly, the Debtors and their Advisors, under the direction of the Special Committee, negotiated a secured post-petition financing facility with the Prepetition Secured Lenders (in such capacity, the "DIP Lenders") in the form of a $9.2 million new money delayed-draw term loan facility (the "DIP Facility"), $6 million of which will be available on an interim basis, and $3.2 million of which will be available upon entry of a final order approving the DIP Facility, pursuant to the terms set forth in that certain *Senior Secured Superpriority Priming Debtor-in-Possession Credit Agreement* (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "DIP Credit Agreement"), by and among TCGC as borrower, certain subsidiaries of TCG as guarantors, the DIP Agent, and the DIP Lenders. As discussed in further detail in the DIP Declaration, the DIP Facility was negotiated at arm's length, is approved by the Special Committee, and is in the best interests of the Debtors' estates.

[5] A description of the post-petition financing marketing process undertaken by Miller Buckfire is more fully set forth in the *Declaration of James Doak in Support of the Debtors' Motion for Entry of Interim and Final Orders (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, (V) Modifying the Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* (the "DIP Declaration"), filed contemporaneously herewith.

57. As of the Petition Date, the Debtors do not have sufficient liquidity to continue to operate their business or fund the administration of the Chapter 11 Cases, and without approval of the DIP Facility, the Debtors will face immediate and irreparable harm. In my business judgment, access to the DIP Facility will provide the Debtors with the necessary liquidity to administer these Chapter 11 Cases and consummate the Prepackaged Plan. Importantly, the DIP Facility is also coupled with an agreement by the DIP Lenders to provide the Debtors with the necessary exit financing to consummate the Prepackaged Plan and fund go-forward operations post-emergence. Without the DIP Lenders' financing commitment and the agreement of the Prepetition Secured Lenders to have the Prepetition Secured Obligations primed by the DIP Facility, the Debtors' ability to successfully prosecute the Chapter 11 Cases would be jeopardized, to the detriment of all interested parties.

C. Proposed Confirmation Timeline & Immediate Objectives

58. The Debtors seek authority to schedule the confirmation hearing for the Prepackaged Plan approximately forty-five (45) days after the Petition Date.

59. In addition, to avoid incurring any unnecessary potential administrative expenses with respect to the Debtors' store leases and now-closed corporate headquarters in Los Angeles and New York City, properties that were vacated and unequivocally surrendered before the Petition Date, the Debtors seek to reject applicable leases which governed their prior occupancy of all stores and their old headquarters, effective as of the Petition Date. The Debtors may also take a number of steps to reduce their expenses moving forward, including filing additional contract and lease rejection motions, as appropriate.

60. Finally, the Debtors have filed the First Day Motions described below in the interest of preserving and maximizing estate value for the benefit of their stakeholders.

IV. First-Day Motions[6]

61. As a result of my first-hand knowledge, and through my review of various materials and information, discussions with members of the Debtors' management and the Debtors' outside advisors, I have formed opinions as to (a) the necessity of obtaining the relief sought by the Debtors in the First Day Motions, (b) the need for the Debtors to continue to operate effectively while working to maximize the value of their assets for the benefit of all stakeholders, (c) the deleterious effects upon the Debtors of not obtaining the relief sought in the First Day Motions, and (d) the immediate and irreparable harm to which the Debtors will be exposed upon the commencement of these Chapter 11 Cases unless the relief requested in the First Day Motions is granted without delay.

62. As described more fully below, the relief requested in the First Day Motions was carefully tailored by the Debtors, in consultation with their professionals, to ensure that the Debtors' immediate operational needs are met so as to allow the restructuring process and prosecution of the Prepackaged Plan to succeed, and that the Debtors suffer no immediate and irreparable harm during these Chapter 11 Cases. I, or my colleagues at my instruction, participated in the analysis that informed each First Day Motion, and assisted in developing the relief requested therein and reviewing pleadings related thereto. At all times, the Debtors' management and professionals remained cognizant of the limitations imposed on a debtor-in-possession and, in light of those limitations, the Debtors narrowed the relief requested at the outset of these Chapter 11 Cases to those matters that require urgent relief to sustain the Debtors' immediate operations and preserve value during the pendency of these Chapter 11 Cases. It is my opinion that the Debtors

[6] Capitalized terms used in this section but not otherwise defined herein shall have the meanings ascribed to such terms in the First Day Motions, as applicable.

would suffer immediate and irreparable harm if the relief requested in the First Day Motions is not granted.

A. Joint Administration Motion

63. The Debtors request entry of an order approving the joint administration of these Chapter 11 Cases for procedural purposes only. I believe that it would be far more practical and expedient for the administration of the Chapter 11 Cases if the Court were to authorize their joint administration, which will reduce costs and facilitate the administrative process by avoiding the need for duplicative notices, applications, and orders. It is my understanding that no prejudice will befall any party by the joint administration of the Debtors' cases, as the relief sought therein is solely procedural, and not intended to affect substantive rights.

B. Claims Agent Retention Application

64. The Debtors request entry of an order, pursuant to 28 U.S.C. § 156(c), Bankruptcy Rule 2002(f), and Local Rule 2002-1(f), authorizing the retention and appointment of Epiq as claims and noticing agent in these Chapter 11 Cases. I believe that the relief requested in the Epiq retention application will ease the administrative burden on the Clerk of the Court in connection with these Chapter 11 Cases. In addition, I have been advised by the Debtors' proposed counsel that Epiq's retention is required by the Local Rules given the Debtors' anticipated number of creditors. In light of the foregoing and Epiq's competitive rates, the Debtors respectfully request that the application to retain Epiq as claims and noticing agent be approved.

C. Creditor Matrix Motion

65. The Debtors seek entry of interim and final orders authorizing the Debtors to redact certain personal identification information of the Debtors' customers and current and former employees, including their respective home addresses, included in the Debtors' creditor matrix.

66. The Debtors submit that the employees and customers, who have no other connection to these Chapter 11 Cases and who may not currently work for the Debtors or realize their personal identification information is maintained by the Debtors, should not be required to monitor the docket in these Chapter 11 Cases to protect themselves from the threat of identity theft or harm. Given the circumstances, I believe that shielding these individual creditors from publication of their home addresses is necessary and appropriate to safeguard their privacy and security. Accordingly, the Debtors respectfully request that the relief requested be approved.

D. Utilities Motion

67. By this motion (the "Utility Motion"), and to ensure continued provision of utility services (the "Utility Services") to the Distribution Center (which also serves as the Debtors' current corporate headquarters), the Debtors seek entry of interim and final orders (i) prohibiting the Debtors' utility service providers (collectively, the "Utility Service Providers") from altering, refusing, or discontinuing utility service on account of unpaid prepetition invoices, (ii) deeming the Utility Service Providers to be adequately assured of future payment, and (iii) establishing procedures for determining additional adequate assurance of future payment and authorizing the Debtors to provide adequate assurance of future payment to the Utility Service Providers. The Debtors propose establishing a segregated account into which the Debtors will deposit a sum equal to approximately 50% of the Debtors' estimated aggregate monthly utility expenses and, additionally, have proposed standard procedures to address any request made by the Utility Service Providers for additional adequate assurance.

68. Any disruption of the Debtors' Utility Services would cause irreparable harm to the Debtors' business operations, their estates and their ability to prosecute the Prepackaged Plan.

69. For the foregoing reasons, the Debtors submit, and I believe, that the relief requested in the Utility Motion is in the best interest of the Debtors, their estates and their creditors, and should therefore be approved.

E. Cash Management Motion

70. By this motion (the "Cash Management Motion"), the Debtors seek entry of an order, among other things, authorizing continued use of their existing (a) bank accounts, (b) cash management system, and (c) checks and business forms. In addition, the Debtors also request a waiver of certain of the operating guidelines established by the Office of the United States Trustee for the District of Delaware that require the Debtors to close all prepetition bank accounts, open new accounts designated as debtor-in-possession accounts, and provide new business forms and stationery.

71. As described in detail in the Cash Management Motion, the Debtors maintain a cash management and disbursement system in the ordinary course of their operations (the "Cash Management System"). To lessen the disruption caused by the bankruptcy filing and maximize the value of their estates in these Chapter 11 Cases, it is vital that the Debtors maintain their Cash Management System and be authorized to, *inter alia*, pay any outstanding Bank service and other fees owed in relation to their Cash Management System.

72. The Debtors maintain current and accurate accounting records of daily transactions and submit that maintaining this Cash Management System will prevent undue disruption to the Debtors' operations while protecting the Debtors' cash for the benefit of their estates. It is critical that the Debtors be able to consolidate management of cash and centrally coordinate transfers of funds to efficiently and effectively operate their business. Absent obtaining the relief requested in the Cash Management Motion, the Debtors will not be able to maximize value through the proposed Restructuring Transactions.

73. Accordingly, the Debtors request that the relief requested in the Cash Management Motion be approved.

F. Insurance Motion

74. By this motion (the "Insurance Motion"), the Debtors request entry of interim and final orders (i) authorizing, but not directing, the Debtors to (a) continue and, to the extent necessary, revise, extend, renew, supplement, or change, the insurance programs (including by obtaining "tail" coverage) (collectively, the "Insurance Programs") summarized in the Insurance Motion, (b) pay, in their sole discretion, all undisputed policy premiums, claims, deductibles, retentions, administrative fees, broker fees and other obligations relating to the Insurance Programs (such obligations, the "Insurance Obligations") that were or are due and payable, and relate to the period before or after the Petition Date, and (c) continue their Financed Programs (as defined below) and renew or enter into new premium financing programs, and (ii) authorizing the Debtors' banks (collectively, the "Banks") to honor and process check and electronic transfer requests related thereto.

75. In the ordinary course of business, the Debtors maintain a number of insurance policies for, among other things, (i) general liability, (ii) automobile, (iii) umbrella, (iv) excess liability, (v) cargo, (vi) property/all risk, (vii) directors & officers liability, employment practices liability, fiduciary liability, commercial crime, (viii) excess directors & officers liability, (ix) kidnap and ransom, and (x) cyber, among others. The Debtors employ Aon plc (the "Broker") to assist them with the procurement and negotiation of their Insurance Programs.

76. I believe that maintaining the Debtors' insurance coverage under the Insurance Programs is a crucial ordinary-course-of-business transaction, and necessary to preserve value during these Chapter 11 Cases. Authority to pay any prepetition Insurance Obligations—to the extent that the Debtors determine that such payment is necessary to avoid cancellation, default,

alteration, assignment, attachment, lapse, or any form of impairment of the coverage, benefits or proceeds provided under the Insurance Programs—is imperative, as the insurance coverage provided under the Insurance Programs is essential for preserving the value of the Debtors' assets, and, in most cases, such coverage is required by the various contracts and laws that govern the Debtors' operations. Furthermore, it is my understanding that, under the chapter 11 operating guidelines issued by the United States Trustee for Region 3 pursuant to 28 U.S.C. § 586, the Debtors are obligated to maintain certain insurance coverage during these Chapter 11 Cases, and such coverage is provided by certain of the policies included in the Insurance Programs.

77. Because it is not economically advantageous for the Debtors to pay the premiums on each of their Insurance Programs on an annual basis, from time to time and in the ordinary course of business, the premiums on each of the Insurance Programs are financed (such programs, the "Financed Programs") pursuant to a premium finance agreement (the "PFA") between the Debtors and AFCO Acceptance Corporation ("AFCO"). If the Debtors are unable to continue making payments under the PFA, AFCO may be permitted to terminate the Financed Programs, at which point the Debtors would be required to obtain replacement insurance on an expedited basis and likely at a significantly increased cost. Given the importance of maintaining insurance coverage under the Financed Programs during these Chapter 11 Cases, and preserving the Debtors' limited liquidity by financing insurance premiums, I believe that it is in the best interest of the Debtors' estates and creditors that the Debtors be authorized to continue their historic practice of paying amounts due under the PFA as they come due.

78. Accordingly, for the reasons set forth herein and in the Insurance Motion, the Debtors respectfully request that the relief requested in the Insurance Motion be approved.

G. Wages Motion

79. Pursuant to this motion (the "Wages Motion"), the Debtors request entry of interim and final orders (i) authorizing, but not directing, the Debtors, on the terms set forth in the proposed orders and in accordance with their stated policies and in their discretion, to, among other things and subject to the statutory cap on priority claims, (a) pay prepetition employee wages, salaries and other accrued compensation, including severance, (b) pay accrued prepetition obligations to independent contractors and supplemental workers employed by the Debtors, (c) honor any prepetition obligations in respect of, and continue in the ordinary course of business until further notice (but not assume), certain of the Debtors' employee benefits programs, plans, and policies, (d) reimburse employees for prepetition expenses that employees incurred on behalf of the Debtors in the ordinary course of business, (e) pay all related prepetition payroll taxes and other deductions, (f) honor the Debtors' workers' compensation policies, and (g) to the extent that any of the foregoing programs are administered, insured, or paid through a third-party administrator or provider, pay any prepetition claims of such administrator and provider in the ordinary course of business to ensure the uninterrupted delivery of payments or other benefits to the Employees, and (ii) authorizing the Banks to honor and process check and electronic transfer requests related to the foregoing.

80. As of the Petition Date, the Debtors employ approximately 125 full-time employees and one part-time employee (collectively, the "Employees"). The Debtors also employ approximately 10 independent contractors and/or supplemental workers (collectively, the "Supplemental Workforce") whose services are often procured indirectly through certain staffing agencies. Although the Debtors have paid their wage, salary, and other obligations in accordance with their ordinary compensation schedule prior to the Petition Date, as of the date hereof, certain

prepetition obligations for Employees and the Supplemental Workforce may nevertheless be due and owing.

81. Many of the Debtors' Employees rely on their compensation, benefits, and reimbursement of expenses to satisfy their daily living expenses. Consequently, these Employees will be exposed to significant financial hardship if the Debtors are not permitted to honor obligations for unpaid compensation, benefits, and reimbursable expenses. Moreover, if the Debtors are unable to satisfy such obligations, Employee morale and loyalty will be jeopardized at a time when Employee support is critical to the Debtors and the success of Prepackaged Plan.

82. I believe that the relief requested in the Wages Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11 without disruption to maximize the value of their assets. Accordingly, the Debtors respectfully request that the relief set forth in the Wages Motion be approved.

H. Taxes Motion

83. By this motion (the "Taxes Motion"), the Debtors request entry of interim and final orders (i) authorizing, but not directing, the Debtors, in their discretion, to remit certain taxes including sales, use, franchise, commercial activity, business and occupation, and various other taxes, fees, charges, and assessments (collectively, the "Taxes and Fees") that the Debtors incurred prepetition that are or will become due and payable to various federal, state and local taxing authorities and other governmental authorities (each, an "Authority", and collectively, the "Authorities") including in connection with the sale of their merchandise at applicable store locations, or through shipments of apparel purchased through the Debtors' website to customers, and (ii) authorizing the Banks to honor and process check and electronic transfer requests related to the foregoing.

84. The Taxes and Fees are paid monthly, quarterly, or annually to the respective Authorities, depending on the given Tax or Fee and the relevant Authority to which it is paid. As of the Petition Date, the Debtors estimate that they owe approximately $250,000 in unremitted Taxes and Fees, $220,000 of which will come due within 21 days of the Petition Date. Except with respect to certain potential trust fund tax liabilities that are subject to ongoing audit, as disclosed in the Taxes Motion, the unremitted Taxes are comprised entirely of current tax obligations, and are not in respect of "catch-up" payments.

85. Any regulatory dispute or delinquency that impacts the Debtors' ability to conduct business in a particular jurisdiction could have a wide-ranging and adverse effect on the Debtors' ability to maximize value though the Prepackaged Plan. Moreover, some Authorities may initiate an audit of the Debtors if the Taxes and Fees are not paid on time. Such audits will unnecessarily divert the Debtors' attention away from these Chapter 11 Cases and result in unnecessary expenses. Moreover, if the Debtors do not pay such amounts in a timely manner, the Authorities may attempt to suspend the Debtors' operations, file liens, seek to lift the automatic stay, seek payment from the Debtors' managers and officers, or pursue other remedies that will materially and immediately harm the estates.

86. I believe that the Debtors' failure to pay the Taxes and Fees could have a material adverse impact on the Debtors' ability to maximize the value of their assets for the benefit of all stakeholders. Additionally, any attempt to collect the Taxes and Fees from the Debtors' members and officers has the potential to divert the attention of those individuals away from the Debtors' efforts to maximize the value through the Prepackaged Plan.

87. Accordingly, for the reasons set forth herein and in the Taxes Motion, the Debtors respectfully request that the Taxes Motion be approved.

I. Shippers and Warehousemen Motion

88. By this motion (the "Shippers Motion"), the Debtors request entry of interim and final orders authorizing, but not directing, the Debtors to pay, in the ordinary course of business, claims held by certain of the debtors' shippers, freight forwarders and warehousemen (collectively, the "Transporters") in possession of the Debtors' inventory as of the Petition Date. The success of the Debtors' business depends on the Debtors' ability to ship goods to and from the Distribution Center and directly to consumers. To ensure the steady movement of merchandise, the Debtors rely on a network of shippers and freight forwarders that process, ship and replenish the Debtors' inventory. If the Debtors fail to pay any of the foregoing entities for charges incurred in connection with the transportation of the Debtors' merchandise, various statutes, tariffs and agreements permit the shipper, freight forwarders and warehousemen to assert possessory liens against the merchandise in their possession. Moreover, the Transporters play a pivotal role with respect to the Debtors' e-commerce business, and any failure (or delay) in fulfilling online orders will diminish brand value and customer loyalty, thereby undermining the success of the Debtors' restructuring efforts.

89. As of the Petition Date, the Debtors estimate that approximately $488,000 is owed on account of claims, for which approximately $284,000 will come due on or before 21 days from the date hereof for shipping, freight forwarding, and customs duties (the "Transporter Claims"). Payment of the foregoing Transporter Claims will avoid disruption in the Debtors' business, prevent the possibility of possessory liens being asserted against the Debtors' merchandise, and enable the Debtors to realize maximum value for the benefit of their stakeholders. I further believe that authority to satisfy the Transporter Claims will avoid the immediate and irreparable harm that would be thrust upon the estates if such claims were not paid because it will

ensure that the Transporters will continue to provide vital services during this critical juncture of the Debtors' chapter 11 efforts.

90. Because payment of the prepetition Transporter Claims is imperative to the Debtors' ability to maximize the value of their estates for the benefit of their creditors, the Debtors respectfully request that the relief requested in the Shippers Motion be approved.

J. Customer Programs Motion

91. In the ordinary course of business, the Debtors provide customers with certain customer-related programs as described in this motion (the "Customer Programs Motion" and such programs, the "Customer Programs") that engender goodwill, maintain loyalty, increase the Debtors' sales opportunities, and allow the Debtors a comparative advantage over their competition. Specifically, through the Customer Programs, the Debtors offer refunds and exchanges, coupons and other promotional offers to their customers, and process customer purchases through the use of credit cards and debit cards. Moreover, as set forth in the Customer Programs Motion, the Debtors seek authority to continue their gift card program, as modified, which will allow the Debtors to honor on their websites gift cards that were previously purchased at retail locations. However, the Debtors do not intend to continue selling gift cards on a postpetition basis.

92. The Debtors believe that their ability to continue the Customer Programs and to honor their obligations thereunder in the ordinary course of business, on the terms forth in the Customer Programs Motion, is necessary to (i) retain their reputation for reliability, (ii) meet competitive market pressures, (iii) maintain positive customer relationships and (iv) ensure customer satisfaction, preserving brand value during the Chapter 11 Cases and thereby enhancing the Debtors ability to maximize value. Accordingly, for the reasons set forth herein and in the Customer Programs Motion, the relief requested in the Customer Programs Motion is necessary to

avoid immediate and irreparable harm to the Debtors, for the Debtors to operate their business without interruption, and to preserve value for the Debtors' estates.

K. Critical Vendor Motion

93. By this motion (the "Critical Vendor Motion"), the Debtors request entry of interim and final orders authorizing the Debtors to pay, in their discretion, certain prepetition claims of critical vendors (collectively, the "Critical Vendor Claims") in an amount up to $1.8 million (the "Critical Vendor Claims Cap"), inclusive of certain claims arising from by the Debtors' receipt of goods in the ordinary course of the Debtors' business within 20 days prior to the Petition Date.

94. In the ordinary course of business, the Debtors engage a limited number of providers (collectively, the "Critical Vendors") of goods or certain services that the Debtors depend upon to primarily drive revenue. Any interruption in these services or goods—however brief—risks materially disrupting the Debtors' operations and could cause irreparable harm to their business, goodwill, and customer base, and will likely hinder the Debtors' ability to realize maximum benefit from the proposed Restructuring Transactions.

95. The Debtors have conducted an extensive analysis and review of the Debtors' immediate and anticipated operational needs, and have concluded that there is a significant risk that the Critical Vendors will cease doing business with the Debtors unless their Critical Vendor Claims are paid. Should any Critical Vendor stop supplying services or goods to the Debtors, the Debtors' restructuring efforts would be adversely affected as a result for the reasons outlined in the Critical Vendor Motion. The Debtors and their advisors closely analyzed the Debtors' needs during the pendency of these Chapter 11 Cases, and determined the Critical Vendors Claim Cap with those needs in mind. As such, I believe that the amount of the Critical Vendor Claims Cap pales in comparison to the likely damage to the Debtors' businesses and estates should the relief requested in the Critical Vendor Motion not be granted.

96. In addition to non-priority claims held by Critical Vendors, certain Critical Vendors may hold claims against the Debtors on account of goods received by the Debtors in the ordinary course of the Debtors' business within 20 days prior to the Petition Date. Without receiving goods from many of these Critical Vendors and, in turn, being positioned to sell merchandise and meet customer demand, the Debtors risk losing customers at a critical juncture of their restructuring process. Given their go-forward objective, the Debtors have determined, in their business judgement, that the continued receipt of goods from these Critical Vendors is critical to the Debtors' operations and necessary to ensure that there are not any unexpected or inopportune interruptions in the Debtors' business operations.

97. The Prepackaged Plan contemplates satisfying all claims arising under section 503(b)(9) of the Bankruptcy Code in full, and, consequently, I believe that the relief requested herein will only affect the payment timing of valid claims arising under section 503(b)(9) of the Bankruptcy Code, to the extent held by certain Critical Vendors, thereby not prejudicing general unsecured creditors.

98. To the extent that the Debtors pay the prepetition claims of such Critical Vendors, the Debtors will seek to obtain customary trade terms from such parties and, further, to apply payments, in the first instance, against claims held by Critical Vendors which qualify for administrative expense priority under section 503(b)(9) of the Bankruptcy Code. For these reasons and those set forth in the Critical Vendor Motion, I believe the relief requested in the Critical Vendor Motion is in the best interests of the Debtors' estates and creditors and necessary to avoid immediate and irreparable harm to the Debtors and their estates.

L. Foreign Vendor Motion

99. The Debtors' business depends on, among other things, the Debtors' ability to retain their vendors and service providers and to maintain their reputation and customer loyalty

within the retail industry. As part of that initiative, and in the ordinary course of business, the Debtors incur various obligations to numerous foreign vendors, suppliers and other entities (collectively, the "Foreign Vendors"). The Debtors rely on the Foreign Vendors, which are primarily located in Asia, to supply various goods and services that are crucial to the Debtors' ongoing operations. Many of the Foreign Vendors which supply these essential goods and services may argue that they are not subject to the jurisdiction of the Court or the provisions of the Bankruptcy Code that would otherwise protect the Debtors' assets and business operations, and/or may take actions that would disrupt the Debtors' business operations. There is also a risk that Foreign Vendors could sue the Debtors in foreign courts and attempt to recover prepetition amounts owed to them if such amounts remain unpaid. If the Foreign Vendors were successful in obtaining judgments against the Debtors, the Foreign Vendors could seek to exercise post-judgment remedies, including seeking to attach the Debtors' foreign assets or withholding vital goods from the Debtors.

100. Accordingly, to avoid the resulting irreparable harm that would immediately arise from the potential issues highlighted above, I believe that the Debtors must have the ability to continue to compensate certain Foreign Vendors, which agree, subject to the Debtors' satisfaction, to continue to supply goods to the Debtors according to (a) the most favorable trade terms and practices (including, without limitation, credit limits, pricing, timing of payments, allowances, rebates, discounts, and other applicable terms and programs) in effect between the Foreign Vendor and the Debtors within the one year period preceding the Petition Date or (b) such other trade terms and practices as agreed to by the Debtors and the Foreign Vendor. As set forth in the Foreign Vendor Motion, the Debtors believe that obtaining authority to satisfy claims asserted by the Foreign Vendors will ensure that the critical goods and services provided by such Foreign Vendors remain at the Debtors' disposal and, ultimately, of value to the Debtors' customer base. To the

extent that the Debtors pay prepetition claims to such Foreign Vendors, the Debtors will seek to, in return, obtain customary trade terms from such parties and, further, to apply payments, in the first instance, against claims held by Foreign Vendors which qualify for administrative expense priority under section 503(b)(9) of the Bankruptcy Code. For these reasons, and those set forth in the motion, the Debtors believe that the relief requested therein is narrowly tailored and in the best interests of the Debtors, their estates and creditors, and therefore should be approved.

M. Factoring Motion

101. In the ordinary course of business, the Debtors utilize the benefits of a factoring arrangement with CIT Group/Commercial Services, Inc. ("CIT") to, among other things, outsource receivable collections and mitigate collection risk with respect to the Company's larger wholesale accounts. As set forth in the motion seeking authority to continue factoring their receivables under the factoring agreement (such motion, the "Factoring Motion"), the Debtors benefit from this arrangement in multiple ways and seek to maintain the relationship with CIT on a postpetition basis. The Debtors have filed the Factoring Motion out of an abundance of caution to obtain an order which, the Debtors believe, will help facilitate the go-forward relationship with CIT, thereby maintaining the advantageous terms of the Factoring Agreement for the benefit of all interested parties.

102. As detailed in the Factoring Motion, there are no prepepetition amounts owing on account of the Factoring Agreements, and the Debtors only seek authority to continue the arrangements in the ordinary course. Absent the maintenance of this program, which allows the Debtors, in certain instances, to shift the credit risk onto CIT and reduce collection delay, I believe that the Debtors would suffer immediate and irreparable harm. For these reasons and those set forth in the Factoring Motion, I believe that relief requested should be approved.

N. DIP/Cash Collateral Motion

103. The Debtors have negotiated and reached agreement on the DIP Facility, pursuant to which the Debtors, subject to Court approval, will be provided with a senior secured superpriority postpetition financing facility from the DIP Lenders. I believe that the terms and amount of the proposed DIP Facility will permit the Debtors to meet their business and other obligations in connection with these Chapter 11 Cases in accordance with the Approved Budget, the DIP Order, and the DIP Credit Agreement. As the Approved Budget demonstrates, without the availability provided under the DIP Facility, the Debtors would be unable to prosecute these Chapter 11 Cases and consummate the Proposed Restructuring Transaction.

104. As further detailed in the Doak Declaration filed in support of the Debtors' proposed postpetition financing, the Debtors sought, but were unable, to obtain postpetition financing from another source, including a facility that would be on an unsecured, administrative expense basis. Based on my understanding of the financing solicitation process, my experience and in my business judgment, I believe that the terms of the DIP Facility are fair and reasonable to the Debtors and appropriate under the circumstances, and that good and sufficient cause exists to enter the proposed DIP Orders, absent which the Debtors would suffer immediate and irreparable harm.

O. Omnibus Lease Rejection Motion

105. In connection with vacating their store leases and old corporate headquarters, at various times prior to the Petition Date, the Debtors delivered surrender letters (collectively, the "Surrender Letters"), together with keys and other pertinent information, to each landlord counterparty for the subject leases (collectively, the "Landlords"). The Surrender Letters notified the Landlords that the Debtors were surrendering possession of the Premises and abandoning any Debtor-owned personal property as of such time. The Debtors filed a motion to reject such leases

on the Petition Date to ensure that the relief requested therein would be effective as of the Petition Date, but will schedule a hearing on such motion for a later date.

P. Motion to Approve Solicitation Procedures and Schedule a Combined Hearing

106. Under the DIP Facility, the Debtors are bound by certain Milestones, including, but not limited to, deadlines for entry of a confirmation order and consummation of the Prepackaged Plan. In light of these Milestones and the prepackaged nature of these Chapter 11 Cases, the Debtors have filed a motion seeking an order scheduling a combined hearing with respect to the approval of their plan solicitation procedures, their Disclosure Statement (which describes the Restructuring Transactions in detail and its effects on holders of claims against and interests in the Debtors), and confirmation of the Prepackaged Plan. Moreover, the Debtors seek related relief, including a waiver of the requirement to file Schedules and SOFAs and the need to convene a 341 meeting, given the terms of the Prepackaged Plan, the proposed recovery for general unsecured creditors, and the limited resources available to the Debtors on a postpetition basis. The Debtors believe that it is imperative that the Prepackaged Plan be confirmed on the proposed timeline to avoid brand value deterioration and to minimize the costs associated with a protracted chapter 11 proceeding and, accordingly, submit that the relief requested should be granted.

V. Conclusion

107. In conclusion, for the reasons stated herein and in each of the First Day Motions filed concurrently or in connection with the commencement of these Chapter 11 Cases, the Debtors respectfully request that each First Day Motion be granted in its entirety, together with such other and further relief as the Court deems just and proper.

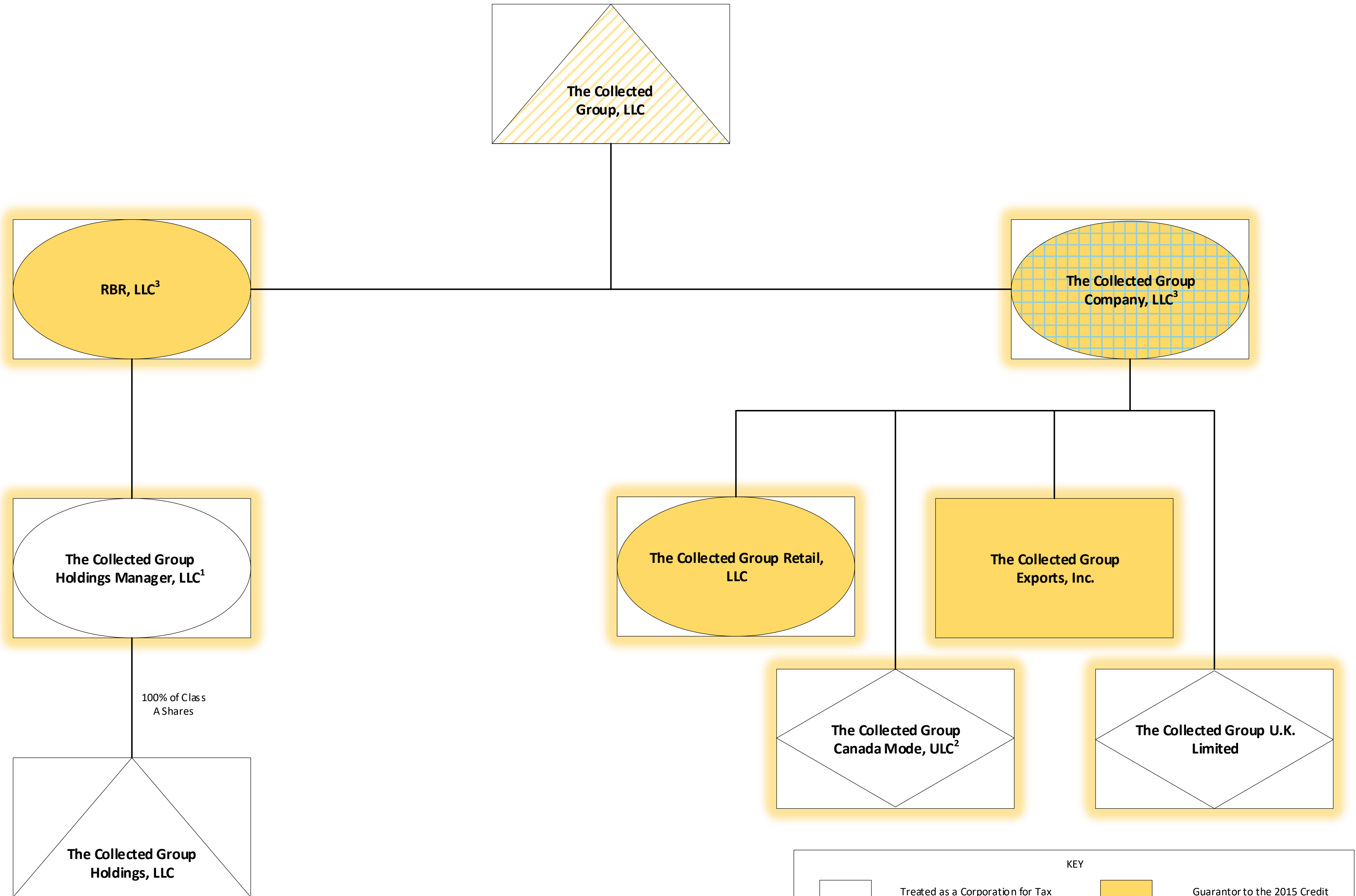
Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

Dated: April 5, 2021
Los Angeles, California

/s/ Evan Hengel
Evan Hengel
Chief Restructuring Officer

EXHIBIT A

Corporate Organization Chart



1. Equity is pledged under the 2015 Credit Agreement, but this entity is not listed as pledged in the 2018 Perfection Certificate.

2. Only 65% of The Collected Group Canada Mode, ULC's equity is pledged under the 2015 Credit Agreement.

3. RBR, LLC licenses intellectual property to be used in the operation of the Company's business to The Collected Group Company, LLC