IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
ALEX AND ANI, LLC, et al.,[1]	)	Case No. 21-10918 (CTG)
Debtors.	)	(Joint Administration Requested)

DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION OF ALEX AND ANI, LLC AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. THIS IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCE OR REJECTION MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN OFFER, ACCEPTANCE, COMMITMENT, OR LEGALLY BINDING OBLIGATION OF THE DEBTORS OR ANY OTHER PARTY IN INTEREST, AND THIS PLAN IS SUBJECT TO APPROVAL BY THE BANKRUPTCY COURT AND OTHER CUSTOMARY CONDITIONS. THIS PLAN IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES.

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Proposed Co-Counsel to the Debtors and
Debtors in Possession

Dated: June 10, 2021

[1] The Debtors in these chapter 11 cases, along with the last four digits of each of the Debtors' respective federal tax identification numbers, are as follows: Alex and Ani, LLC (8360); A and A Shareholding, Co., LLC (7939); Alex and Ani International, LLC (2247); Alex and Ani Retail, LLC (1227); Alex and Ani Assembly, LLC (3215); Alex and Ani California, LLC (6368); Alex and Ani Canada, LLC (3317); Alex and Ani Puerto Rico, LLC (1477); and Alex and Ani South Seas, LLC (8592). The Debtors' headquarters and mailing address is: 10 Briggs Drive, East Greenwich, RI 02818.

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

THE PLAN IS SUPPORTED BY THE DEBTORS AND CERTAIN CREDITORS OF THE DEBTORS, INCLUDING THE CONSENTING STAKEHOLDERS. ALL SUCH PARTIES URGE HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

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

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

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY PREPARED IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THE SECURITIES TO BE ISSUED ON OR AFTER THE EFFECTIVE DATE WILL HAVE NOT BEEN THE SUBJECT OF A REGISTRATION STATEMENT FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE UNDER ANY STATE SECURITIES LAW ("BLUE SKY LAWS"). THE PLAN HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION AND NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR THE MERITS OF THE PLAN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DEBTORS ARE RELYING ON THE EXEMPTION FROM THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND EQUIVALENT STATE LAW REGISTRATION REQUIREMENTS PROVIDED BY SECTION 1145(A)(1) OF THE BANKRUPTCY CODE, TO EXEMPT THE OFFERING AND ISSUANCE OF NEW SECURITIES PURSUANT TO THE PLAN FROM REGISTRATION UNDER THE SECURITIES ACT AND BLUE SKY LAWS.

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

THIS DISCLOSURE STATEMENT CONTAINS "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF UNITED STATES SECURITIES LAWS. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE," OR "CONTINUE," OR THE NEGATIVE THEREOF, OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. YOU ARE CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD LOOKING STATEMENTS.

MAKING INVESTMENT DECISIONS BASED ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND/OR THE PLAN IS THEREFORE HIGHLY SPECULATIVE. THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF ANY SECURITIES ISSUED PURSUANT TO THE PLAN CONSULT THEIR OWN LEGAL COUNSEL CONCERNING THE SECURITIES LAWS GOVERNING THE TRANSFERABILITY OF ANY SUCH SECURITIES.

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

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION, MODIFICATION, OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED OR MODIFIED PLAN AND RELATED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

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

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS

AND INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE RESTRUCTURING TRANSACTION CONTEMPLATED THEREBY.

TABLE OF CONTENTS

EXHIBITS

* The Debtors will file Exhibit D in advance of the deadline to object to this Disclosure Statement.
* The Debtors will file Exhibit E in advance of the deadline to object to this Disclosure Statement.
* The Debtors will file Exhibit F in advance of the deadline to object to this Disclosure Statement.

I. INTRODUCTION

Alex and Ani, LLC and its debtor affiliates, as debtors and debtors in possession (collectively, the "Debtors," the "Company" or "Alex and Ani"), submit this disclosure statement (this "Disclosure Statement") pursuant to section 1125 of the Bankruptcy Code to holders of Claims against and Interests in the Debtors in connection with the solicitation of acceptances with respect to the ***Joint Plan of Reorganization for Alex and Ani, LLC and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*** (the "Plan"), dated June 10, 2021.[2] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan constitutes a separate chapter 11 plan for Alex & Ani and each of its affiliated Debtors.

The Debtors and certain consenting creditors that have executed the Restructuring Support Agreement (the "RSA"), dated June 9, 2021, including 100 percent of holders under each of the First Lien Credit Facility, Second Lien Credit Facility, and Third Lien Credit Facility, as well as 100 percent of holders of their Existing Equity Interests, believe the Plan is in the best interests of the Debtors' Estates. As such, the Debtors recommend that all holders of Claims entitled to vote accept the Plan by returning their ballots (each, a "Ballot") so as to be **actually received** by the Solicitation Agent (as defined herein) no later than **[●][●], 2021, at 4:00 p.m. (prevailing Eastern Time)**. Assuming the requisite acceptances to the Plan are obtained, the Debtors will seek the Bankruptcy Court's approval of the Plan at the Confirmation Hearing.

II. PRELIMINARY STATEMENT

Alex and Ani commences these chapter 11 cases to deleverage its balance sheet and continue as a going concern with the support of 100 percent of its first, second, and third lien lenders, and 100 percent of its equity holders. This level of support in the face of significant operating headwinds is a testament to the importance and future of the Company.

Founded in 2004 by Carolyn Rafaelian, Alex and Ani has become a premier jewelry brand, quickly gaining popularity due to the novel and customizable nature of its signature expandable wire bracelet. Headquartered in East Greenwich, Rhode Island since 2009, Alex and Ani has expanded from one store located in Newport, Rhode Island to over 100 retail store locations across the United States, Canada, and Puerto Rico. Alex and Ani also maintains a vibrant and growing e-commerce presence. With a loyal customer base, Alex and Ani operates as a symbol of spiritual wellness and connectivity that seeks to highlight the individuality of each of its customers.

Alex and Ani has recently suffered from adverse macro-trends driving customers away from brick-and-mortar retail, like many other retailers. Moreover, Alex and Ani's explosive growth in the early 2010s resulted in certain operational challenges as the Company's existing infrastructure struggled to keep up with demand for its products and significant turnover in management disrupted key business relationships.

In late 2018, the Company, its then-existing lenders, Ms. Rafaelian (the then-majority equity owner) and Lion Capital LLC (together with its affiliates LC A&A Holdings, Inc. and LC A&A Intermediate Investors LLC ("Lion Capital") (the then-minority equity owner) engaged in restructuring negotiations in the face of the default and acceleration of its credit facility and the suspension of access to its revolving credit facility. The lenders, led by then-administrative agent Bank of America, ultimately agreed to waive all outstanding defaults and subordinate a portion of the secured facility to a new $20 million second lien facility provided by Lion Capital and an entity owned by Ms. Rafaelian. In connection with the transactions, which closed in September 2019 (the "2019 Restructuring"), Ms. Rafaelian stepped down as Chief Executive Officer and Robert Trabucco was subsequently appointed Chief Restructuring Officer and Interim Chief Executive Officer. Lion Capital became the Company's majority shareholder.

Shortly after closing the 2019 Restructuring, the COVID-19 pandemic forced the Company to close all of its stores in the spring of 2020, resulting in a massive drop in revenue. The Company took immediate steps in response, including furloughing employees and otherwise minimizing operating expenses. Continued depressed revenues,

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

however, coupled with the Company's ongoing lease obligations throughout the pandemic, placed significant stress on the Company's ability to operate and service its debt obligations.

In 2020 and 2021, the Company once again defaulted under the Bank of America-led credit facilities. Following discussions with the Company's lenders, it became clear that the lenders were unwilling to continue supporting the Company as a going concern. As a result, Lion Capital, in an effort to support the Company, engaged in discussions with the lenders that ultimately led to the consummation of a transaction to acquire all of the Company's outstanding first and third lien obligations.

Simultaneously with these negotiations, the Company and Lion Capital began negotiating the terms of the RSA. The RSA contemplates, among other things, a standalone restructuring and dual-track marketing process, supported by consensual access to cash collateral. While these negotiations were ongoing, the Company, Lion Capital, and Ms. Rafaelian negotiated a comprehensive settlement agreement of all outstanding disputes (the "Settlement"). The Settlement, as incorporated into the RSA, provides for, among other things: (a) Ms. Rafaelian's sale of her 35 percent interest under the Second Lien Credit Facility to The Bathing Club LLC (the "Purchaser"); (b) Lion Capital's sale to Purchaser of 35 percent of the face amount of the first lien obligations under the First and Third Lien Credit Agreement; (c) the dismissal and withdrawal of certain outstanding litigation with prejudice; and (d) mutual releases.

The Purchaser is an entity controlled by Mr. Mark Geragos, who currently serves as outside counsel to the Company. Mr. Geragos did not represent the Company in connection with negotiations or execution of the Settlement.

The Settlement is subject in all respects to Bankruptcy Court approval.

The key terms of the restructuring are as follows:

- **Debt for Equity Conversion**. A "toggle" plan, whereby the Company will pursue a stand-alone restructuring backed by the Support Parties contemporaneously with the sale process in the event that the sale process is unsuccessful.

- **Marketing Process**. A 60-day public marketing process for the sale of some or all of the Company's assets (the "Sale Transaction") in accordance with the terms of the Bidding Procedures.

- **Cash Collateral**. Consensual access to cash collateral in exchange for certain customary adequate protection for existing secured creditors, and prosecution of these cases in accordance with the milestones set forth below.

- **Milestones**. Prosecution of these cases in accordance with the following timeline:

    - entry of the Interim Cash Collateral Order within five days of the Petition Date;

    - occurrence of the Initial Bid Deadline within 28 days of the Petition Date;

    - the Court holding a hearing regarding approval of the Disclosure Statement Order, Bidding Procedures Order, and the Final Cash Collateral Order within 40 days of the Petition Date;

    - entry of the Disclosure Statement Order, Bidding Procedures Order, and the Final Cash Collateral Order within 42 days of the Petition Date;

    - occurrence of the Final Bid Deadline within 60 days of the Petition Date;

    - holding an auction pursuant to the Bidding Procedures Order within 67 days of the Petition Date;

- the Court holding a hearing regarding entry of the Confirmation Order or approving the Sale Transaction within 78 days of the Petition Date;
- entry of the Confirmation Order or the Sale Order, as applicable, within 80 days of the Petition Date; and
- occurrence of the plan of reorganization's effective date within 95 days of the Petition Date.
- **Lease Rejection**. Evaluation of the Company's existing lease portfolio and rejection of uneconomic leases to rebalance the Company's lease portfolio.
- **Settlement of Existing Litigation**. Subject to approval of the Settlement, Ms. Rafaelian, on the one hand, and the Company and Lion, on the other, will provide mutual releases.

With key creditor support in place, the Debtors intend to move expeditiously through these cases and emerge as a stronger, better-capitalized business positioned to thrive for years to come.

III. OVERVIEW OF THE PLAN

The Plan contemplates a restructuring of the Debtors through either (a) the implementation of a stand-alone restructuring (the "Stand-Alone Restructuring") or (b) an orderly sale of all or substantially all of the Debtors' assets via a Sale Transaction.

The key terms of the Plan are as follows:

A. Purpose and Effect of the Plan

The Debtors propose to reorganize under chapter 11 of the Bankruptcy Code, which is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor may reorganize its business for the benefit of its stakeholders. The consummation of a chapter 11 plan of reorganization is the principal objective of a chapter 11 case. A chapter 11 plan sets forth how a debtor will treat claims and equity interests.

A bankruptcy court's confirmation of a chapter 11 plan binds the debtor, any entity or person acquiring property under the plan, any creditor of or equity security holder in a debtor, and any other entities and persons to the extent ordered by the bankruptcy court pursuant to the terms of the confirmed plan, whether or not such entity or person is impaired pursuant to the plan, has voted to accept the plan, or receives or retains any property under the plan.

Among other things (subject to certain limited exceptions and except as otherwise provided in the Plan or the Confirmation Order), the Confirmation Order will discharge the Debtors from any debt arising before the Effective Date, terminate all of the rights and interests of pre-bankruptcy equity security holders and substitute the obligations set forth in the Plan for those pre-bankruptcy Claims and Interests. Under the Plan, Claims and Interests are divided into Classes according to their relative priority and other criteria.

Each of the Debtors is a proponent of the Plan within the meaning of section 1129 of the Bankruptcy Code. The Plan does not contemplate the substantive consolidation of the Debtors' estates. Instead, the Plan, although proposed jointly, constitutes a separate plan for each of the Debtors in these Chapter 11 Cases. Holders of Allowed Claims or Interests against each of the Debtors will receive the same recovery provided to other holders of Allowed Claims or Interests in the applicable Class and will be entitled to their share of assets available for distribution to such Class.

The Debtors contemplate two different possible paths forward under their Plan, the Stand-Alone Restructuring or the Sale Transaction.

The Plan includes a "toggle" feature which will determine whether the Debtors complete the Stand-Alone Restructuring or the Sale Transaction. The Plan thus provides the Debtors with the necessary latitude to negotiate the precise terms of their ultimate emergence from chapter 11.

The Plan contemplates the following transactions under the Stand-Alone Restructuring:

- The issuance of the New Common Equity;
- Except to the extent the holder of an Allowed Secured Credit Facility Claim agrees to less favorable treatment, the holders of an Allowed Secured Credit Facility Claims will receive its Pro Rata share of [●] percent of the New Common Equity (subject to dilution by the Management Incentive Plan);
- The entrance by the Reorganized Debtors into the Exit Facility to make distributions under the Plan and to provide incremental liquidity; and
- Existing Equity Interests in the Debtors being canceled and extinguished.

Under the Sale Transaction, the Debtors will conduct a sale of all or substantially all of the Debtors' assets. The Sale Transaction contemplates the following transactions:

- Commencement and completion of a sale and marketing process to solicit bids for the Sale Transaction, in accordance with the Bidding Procedures;
- Subject to approval by the Court, entry into the Asset Purchase Agreement with the successful bidder;
- Except to the extent the holder of an Allowed Secured Credit Facility Claim agrees to less favorable treatment, the holders of an Allowed Secured Credit Facility Claims will receive its Pro Rata share of the Sale Proceeds Recovery;
- Selection by the Debtors of the Plan Administrator who will act in the fiduciary capacity as a board of managers or directors. As of the Effective Date, the Plan Administrator would become the sole manager, director, and officer of Reorganized Debtors and Wind Down Debtors and act to wind down the business affairs of the Debtors and the Wind Down Debtors' Estates;
- The Plan Administrator will establish each of the Distribution Reserve Accounts in accordance with Article VIII of the Plan and administer the distribution thereof to holders of Allowed Claims;
- As soon as practicable after the Effective Date, the Plan Administrator will: (a) cause the Wind Down Debtors and the applicable Reorganized Debtors, as applicable, to comply with, and abide by, the terms of the Asset Purchase Agreement and any other documents contemplated thereby; and (b) take such other actions as the Plan Administrator may determine to be necessary or desirable to carry out the purposes of the Plan

The feasibility of the Plan is premised upon, among other things, the Debtors' ability to achieve the goals of its long-range business plan, make the distributions contemplated under the Plan and pay certain continuing obligations in the ordinary course of the Reorganized Debtors' business. The Reorganized Debtors' financial projections are set forth on **Exhibit D**.[3] Although the Debtors' believe the projections are reasonable and appropriate, they include a number of assumptions and are subject to a number of risk factors and to significant uncertainty. Actual results may differ from the projections, and the differences may be material.

[3] The Debtors will file Exhibit D in advance of the deadline to object to this Disclosure Statement.

B. Stand-Alone Restructuring

Unless otherwise determined by the Debtors before the Confirmation Hearing, the Debtors will effectuate the Stand-Alone Restructuring.

The Stand-Alone Restructuring will be governed by the following provisions:

1. Sources of Consideration for Plan of Reorganization Distributions

The Reorganized Debtors will fund distributions under the Plan from the following sources:

a. Cash on Hand

The Reorganized Debtors will use Cash on hand, including Cash from operations, the Sale Proceeds (if any), the Exit Facility, if applicable, and proceeds from all Causes of Action not settled, released, discharged, enjoined or exculpated under the Plan or otherwise on or prior to the Effective Date, and the issuance of New Common Equity to fund distributions to certain holders of Allowed Claims in accordance with Article III of the Plan.

b. Exit Facility

On and after the Effective Date and only if a Sale Transaction is not consummated, the Exit Facility Documents will constitute legal, valid, and binding obligations of the Reorganized Debtors and be enforceable in accordance with their respective terms, in each case, without the need for execution by any party thereto other than any party that is a Reorganized Debtor. The terms and conditions of the Exit Facility Credit Agreement will bind Reorganized Alex and Ani, LLC and each other Entity that enters into the Exit Facility Credit Agreement as a guarantor. Any Entity's entry into the Exit Facility Credit Agreement will be deemed as its agreement to the terms of the Exit Facility Credit Agreement as amended or modified from time to time following the Effective Date in accordance with their respective terms.

Confirmation will be deemed approval of the Exit Facility Documents (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations and guarantees to be incurred and fees paid in connection therewith), and, to the extent not approved by the Bankruptcy Court previously, the Reorganized Debtors will be authorized to execute and deliver those documents necessary or appropriate to obtain the Exit Facility, including the Exit Facility Documents, as applicable, without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or vote, consent, authorization, or approval of any Person, subject to such modifications as the Debtors or Reorganized Debtors, as applicable, may deem to be necessary to consummate the Exit Facility.

On the Effective Date, all of the Claims, Liens, and security interests to be granted in accordance with the terms of the Exit Facility Documents (a) will be legal, binding, and enforceable liens on, and security interests in, the collateral granted thereunder in accordance with the terms of the Exit Facility Documents, (b) will be deemed automatically attached and perfected on the Effective Date, subject only to such liens and security interests as may be permitted under the Exit Facility Documents, and (c) will not be subject to avoidance, recharacterization, or subordination (including equitable subordination) for any purposes whatsoever and will not constitute preferential transfers, fraudulent conveyances, or other voidable transfers under the Bankruptcy Code or any applicable non-bankruptcy law.

c. Issuance and Distribution of New Common Equity

All Existing Equity Interests in Alex and Ani will be automatically cancelled on the Effective Date and Reorganized Alex and Ani will issue the New Common Equity to Entities entitled to receive the New Common Equity pursuant to the Plan. The issuance of the New Common Equity, is authorized without the need for any further corporate action and without any further action by the holders of Claims or Interests or the Debtors or the Reorganized Debtors, as applicable. The New Organizational Documents, as applicable, will authorize the issuance and distribution on the Effective Date of the New Common Equity to the Disbursing Agent for the benefit of Entities entitled to receive the

New Common Equity pursuant to the Plan. All of the New Common Equity issued under the Plan will be duly authorized, validly issued, fully paid, and non-assessable. Each distribution and issuance of the New Common Equity under the Plan will be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions will bind each Entity receiving such distribution or issuance..

2. Directors, Managers, and Officers of the Reorganized Debtors

If the Sale Transaction is not consummated, as of the Effective Date, the term of the current members of the board of managers of the Debtors will expire, and the initial boards of directors, including the New Board, and the officers of each of the Reorganized Debtors will be appointed in accordance with the respective New Organizational Documents. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of any Person proposed to serve on the initial board of directors or be an officer of any of the Reorganized Debtors. To the extent any such director or officer of the Reorganized Debtors is an "insider" under the Bankruptcy Code, the Debtors also will disclose the nature of any compensation to be paid to such director or officer. Each such director and officer will serve from and after the Effective Date pursuant to the terms of the New Organizational Documents and other constituent documents of the Reorganized Debtors.

3. Management Incentive Plan

[The New Board (or such duly authorized committee thereof) will be authorized to implement the Management Incentive Plan on or after the Effective Date.]

4. Release of Liens.

Except as otherwise expressly provided herein, on the Effective Date, all Liens on any property of any Debtors or the Reorganized Debtors will automatically terminate, all property subject to such Liens will be automatically released, and all guarantees of any Debtors or the Reorganized Debtors will be automatically discharged and released

C. The Sale Transaction

Contemporaneously with the Petition Date, the Debtors commenced their sale and marketing process and solicited bids for the Sale Transaction, in accordance with the terms and conditions of the RSA and Bidding Procedures. The Debtors will seek to elicit a Sale Transaction offer, if any, pursuant to the process set forth in the Bidding Procedures. If the Debtors are able to secure a winning bid in accordance with the Bidding Procedures, the holders of certain Claims will be paid the Sale Proceeds as set forth in in Article III of the Plan and the Sale Transaction will be consummated in accordance with terms to be set forth in the Sale Order, Confirmation Order, and Plan Supplement, as applicable. At any point, the Debtors may terminate pursuit of the Sale Transaction in accordance with the terms of the RSA and the Bidding Procedures.

In the event that the Debtors determine to effectuate the Sale Transaction, the Sale Order or Confirmation Order, as applicable, will be deemed to authorize all actions as may be necessary or appropriate to effectuate the Sale Transaction, including, among other things, transferring any purchased assets and interests to be transferred to and vested in any purchaser free and clear of all Liens, Claims, charges or other encumbrances pursuant to the terms of any purchase agreement, approve the Asset Purchase Agreement, and authorize the Debtors, or Reorganized Debtors, as applicable, to undertake the transactions contemplated by the Asset Purchase Agreement, including pursuant to sections 363, 365, 1123(a)(5)(B), and 1123(a)(5)(D) of the Bankruptcy Code.

If the Sale Transaction occurs, the following provisions will govern.

1. Bidding Procedures

In pursuing the Sale Transaction, the Debtors will seek approval of the Bidding Procedures, filed on the Petition Date. The Bidding Procedures contemplate the following timeline, which sets forth certain key dates and deadlines with respect to the Sale Transaction process:

Event	Date	Description
Initial Bid Deadline	July 7, 2021 at 12:00 p.m. (prevailing Eastern Time)	Deadline by which all initial bids must be ***actually received*** by the Debtors
Final Bid Deadline	August 8, 2021 at 12:00 p.m. (prevailing Eastern Time)	Deadline by which all binding bids must be ***actually received*** by the Debtors
Auction (if Necessary)	August 15, 2021 at 10:00 a.m. prevailing Eastern Time	The date and time at which the Debtors will conduct an Auction (as defined in the Bidding Procedures Motion) via remote video
Sale Objection Deadline	August 22, 2021 at 4:00 p.m. (prevailing Eastern Time)	Deadline by which objections to the Sale Transaction must be filed with the Court and served so as to be ***actually received*** by the appropriate notice parties
Cure Objection Deadline	August 22, 2021 at 4:00 p.m. (prevailing Eastern Time)	Deadline by which objections to the proposed cure amount regarding executory contracts and unexpired leases must be filed with the Court and served so as to be ***actually received*** by the appropriate notice parties
Sale Hearing	August 26, 2021 or as soon thereafter as the Court's calendar permits	Date for a hearing at which the Court will consider approval of the Sale Transaction

The proposed Bidding Procedures allow the Debtors to optimally and expeditiously solicit, receive, and evaluate any proposals in a fair, accessible, and timely manner. The Debtors will review the proposals to determine, in their business judgment, whether any bids are value-maximizing for the Debtors, their estates, and all stakeholders.

2. Plan Administrator

If the Sale Transaction is consummated pursuant to section 363 of the Bankruptcy Code, the Plan Administrator will act for the Reorganized Debtors in the same fiduciary capacity as applicable to a board of managers, directors, and officers, subject to the provisions hereof (and all certificates of formation, membership agreements, and related documents are deemed amended by the Plan to permit and authorize the same). If the Sale Transaction is consummated, on the Effective Date, the authority, power, and incumbency of the persons acting as managers, directors, or sale director of the Reorganized Debtors will be deemed to have resigned, solely in their capacities as such, and the Plan Administrator will be appointed as the sole manager, sole director, and sole officer of the Reorganized Debtors, and will succeed to the powers of the Reorganized Debtors' managers, directors, and officers. From and after the Effective Date, the Plan Administrator will be the sole representative of, and will act for, the Reorganized Debtors. The foregoing will not limit the authority of the Reorganized Debtors or the Plan Administrator, as applicable, to continue the employment any former manager or officer, including pursuant to any transition services agreement entered into on or after the Effective Date by and between the Reorganized Debtors and the Purchaser.

3. Release of Liens

Except as otherwise expressly provided herein, on the Effective Date, all Liens on any property of any Debtors or the Reorganized Debtors will automatically terminate, all property subject to such Liens will be automatically released, and all guarantees of any Debtors or the Reorganized Debtors will be automatically discharged and released.

D. Releases.[4]

The Plan contains certain releases (as described more fully in Article IV.L hereof), including mutual releases among (a) each Debtor; (b) each Reorganized Debtor; (c) each of the Debtors' current and former directors and officers; (d) each Agent; (e) the Consenting Stakeholders, (f) all holders of Interests; (g) with respect to each of the foregoing (a) through (f), each of such Entity and its current and former Affiliates, and such Entities' and their current and former Affiliates' current and former members, directors, managers, officers, equity holders (regardless of whether such interests are held directly or indirectly), predecessors, successors, and assigns, subsidiaries, and each of their respective current and former members, equity holders, officers, directors, managers, principals, members, employees, agents, advisory board members, financial advisors, partners, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, each in their capacity as such; ***provided*** **that in each case, an Entity will not be a Released Party if it: (x) elects to opt out of the releases contained in the Plan; or (y) timely Files with the Bankruptcy Court on the docket of the Chapter 11 Cases an objection to the releases contained in the Plan that is not resolved before Confirmation**.

The Plan also provides that all holders of Claims and Interests that (i) vote to accept or are deemed to accept the Plan or (ii) are in voting Classes who abstain from voting on the Plan or vote to reject the Plan and do not opt out of the release provisions contained in Article IX of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties.

Importantly, all holders of Claims and Interests that are not in voting Classes that do not opt out of the release provisions contained in Article IX of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively consented to the release and discharge of all Claims and Causes of Action against the Debtors and the Released Parties. The releases are an integral element of the Plan.

The Debtors believe that the releases, exculpations, and injunctions set forth in the Plan are appropriate because, among other things: (a) the releases, exculpations, and injunctions are specific; (b) the releases provide closure with respect to prepetition Claims and Causes of Action, which the Debtors determined is a valuable component of the overall restructuring under the circumstances and is integral to the Plan; (c) the releases are a condition to the global settlement and a necessary part of the Plan; and (d) each of the Released Parties and Exculpated Parties has afforded value to the Debtors and aided in the reorganization process, which facilitated the Debtors' ability to propose and pursue confirmation of a value-maximizing restructuring. Further, the releases, exculpations, and injunctions have the support of the vast majority of the holders of the Debtors' First Lien Credit Facility Claims, Second Lien Credit Facility Claims, and Third Lien Credit Facility Claims. The Debtors believe that each of the Released Parties and Exculpated Parties has played an integral role in formulating or enabling the Debtors to propose the Plan and has expended significant time and resources analyzing and negotiating the issues presented by the Debtors' prepetition capital structure. The Debtors will be prepared to meet their burden to establish the basis for the releases, exculpations, and injunctions for each Released Party and Exculpated Party as part of Confirmation of the Plan.

[4] The Special Committee, with the assistance of its counsel and advisors, is currently undertaking an investigation into Estate claims and Causes of Action. The Release provisions and related definitions are under continued negotiations. The Debtors reserve all rights to modify the Plan, including the release provisions of the Plan, and the Debtors reserve all rights and claims with respect thereto.

IV. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND PLAN

A. What is chapter 11?

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

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

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

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

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

C. Am I entitled to vote on the Plan?

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

Class	Claim/Interest	Status	Voting Rights
1	Other Secured Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
2	Other Priority Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)
3	Secured Credit Facility Claims	Impaired	Entitled to Vote
4	Go-Forward Vendor Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Intercompany Claims	Unimpaired/ Impaired	Not Entitled to Vote (Deemed to Accept or Reject)
7	Intercompany Interests	Unimpaired/ Impaired	Not Entitled to Vote (Deemed to Accept or Reject)
8	Existing Equity Interests	Impaired	Not Entitled to Vote (Deemed to Reject)

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

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

Amounts in the far right column under the heading "Liquidation Recovery" are estimates only and are based on certain assumptions described herein and set forth in greater detail in the Liquidation Analysis (as defined below)

attached hereto as **Exhibit F**.[5] Accordingly, recoveries actually received by holders of Claims and Interests in a liquidation scenario may differ materially from the projected liquidation recoveries listed in the table below.

THE PROJECTED RECOVERIES SET FORTH IN THE TABLE BELOW ARE ESTIMATES ONLY AND THEREFORE ARE SUBJECT TO CHANGE. FOR A COMPLETE DESCRIPTION OF THE DEBTORS' CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS, REFERENCE SHOULD BE MADE TO THE ENTIRE PLAN.[6]

SUMMARY OF EXPECTED RECOVERIES				
Class	**Claim/Interest**	**Treatment of Claim/ Interest**	**Projected Amount of Claims**	**Projected Recovery Under the Plan**
1	Other Secured Claims	Each holder of an Allowed Other Secured Claim will receive, at the option of the applicable Reorganized Debtor and in consultation with the Consenting Sponsor: (i) payment in full in Cash of such holder's Allowed Other Secured Claim; (ii) the collateral securing such holder's Allowed Other Secured Claim; (iii) Reinstatement of such holder's Allowed Other Secured Claim; or (iv) such other treatment rendering such holder's Allowed Other Secured Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code.	$[●]	100%
2	Other Priority Claims	Each holder of an Allowed Other Priority Claim will receive payment in full in Cash of such holder's Allowed Other Priority Claim or such other treatment in a manner consistent with section 1129(a)(9) of the Bankruptcy Code.	$[●]	100%
3	Secured Credit Facility Claims	Except to the extent the holder of an Allowed Secured Credit Facility Claim agrees to less favorable treatment, each holder of an Allowed First Lien Credit Facility Claim will receive its Pro Rata share of: (i) **if the Stand-Alone Restructuring is consummated**, [●] percent of the New	$[●]	[●]%

[5] The Debtors will file **Exhibit F** in advance of the objection deadline for this Disclosure Statement.

[6] The recoveries set forth below may change based upon changes in the amount of Claims that are "Allowed" as well as other factors related to the Debtors' business operations and general economic conditions. "*Allowed*" means with respect to any Claim, except as otherwise provided herein: (a) a Claim that is evidenced by a Proof of Claim timely Filed by the Bar Date (or for which Claim under the Plan, the Bankruptcy Code, or a Final Order of the Court a Proof of Claim is not or will not be required to be Filed); (b) a Claim that is listed in the Schedules as not contingent, not unliquidated, and not disputed, and for which no Proof of Claim has been timely filed; or (c) a Claim Allowed pursuant to the Plan, any stipulation approved by the Court, any contract, instrument, indenture, or other agreement entered into or assumed in connection with the Plan, or a Final Order of the Court; *provided* that with respect to a Claim described in clauses (a) and (b) above, such Claim will be considered Allowed only if and to the extent that with respect to such Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Court, or if such an objection is so interposed, such Claim will have been Allowed by a Final Order. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no Proof of Claim or Interest is or has been timely Filed (except to the extent otherwise Allowed pursuant to clause (c) above), is not considered Allowed and will be expunged without further action by the Debtors and without further notice to any party or action, approval, or order of the Court. Notwithstanding anything to the contrary herein, no Claim of any Entity subject to section 502(d) of the Bankruptcy Code will be deemed Allowed unless and until such Entity pays in full the amount that it owes. For the avoidance of doubt, a Proof of Claim Filed after the Bar Date will not be Allowed for any purposes whatsoever absent entry of a Final Order allowing such late-Filed Claim. "Allow" and "Allowing" will have correlative meanings.

		Common Equity (subject to dilution by the Management Incentive Plan); or (ii) **if the Sale Transaction is consummated**, the Sale Proceeds Recovery. In addition, on or prior to the Effective Date, the Prepetition Agents shall receive payment in full in Cash of all unpaid Agent Expenses.		
4	Go-Forward Vendor Claims	Each holder of an Allowed Go-Forward Vendor Claim will receive its Pro Rata share (not to exceed the amount of such holder's Allowed Go-Forward Vendor Claim) of [●].	$[●]	[●]%
5	General Unsecured Claims	Each holder of an Allowed General Unsecured Claim will receive its Pro Rata share (not to exceed the amount of such holder's Allowed General Unsecured Claim) of [●].	$[●]	[●]%
6	Intercompany Claims	On the Effective Date, each holder of an Allowed Intercompany Claim will have its Claim Reinstated or cancelled, released, and extinguished and without any distribution at the Debtors' election.	N/A	0%
7	Intercompany Interests	On the Effective Date, each holder of an Allowed Intercompany Interest will have its Interest Reinstated or cancelled, released, and extinguished and without any distribution at the Debtors' election.	N/A	0%
8	Existing Equity Interests	On the Effective Date, each holder of an Existing Equity Interest will have such Interest cancelled, released, and extinguished and without any distribution.	N/A	0%

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

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

a. Administrative Claims

Administrative Claims will be satisfied as set forth in Article II.A of the Plan, as summarized herein.

Except for Claims subject to Bankruptcy Code sections 503(b)(1)(D) and (b)(9) (for which the Bar Date applies) and Professional Fee Claims, and unless previously Filed, requests for payment of Administrative Claims must be Filed and served on the Reorganized Debtors no later than the Administrative Claim Bar Date pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order. Objections to such requests must be Filed and served on the Reorganized Debtors and the requesting party by the Administrative Claim Objection Bar Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code, the Bankruptcy Rules, and prior Bankruptcy Court orders, the Allowed amounts, if any, of Administrative Claims will be determined by, and satisfied in accordance with an order that becomes a Final Order of, the Bankruptcy Court.

Unless otherwise agreed to by the holder of an Allowed Administrative Claim and the Debtors or the Reorganized Debtors, as applicable, to the extent an Allowed Administrative Claim has not already been paid in full or otherwise satisfied during the Chapter 11 Cases, each holder of an Allowed Administrative Claim (other than holders of Professional Fee Claims and Claims for fees and expenses pursuant to section 1930 of chapter 123 of the Judicial Code) will receive in full and final satisfaction of its Allowed Administrative Claim an amount of Cash equal to the amount of the unpaid portion of such Allowed Administrative Claim in accordance with the following: (1) if such Administrative Claim is Allowed on or prior to the Effective Date, no later than 30 days after the Effective Date or as soon as reasonably practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter); (2) if such Administrative Claim is not Allowed as of the Effective

Date, no later than 30 days after the date on which an order Allowing such Administrative Claim becomes a Final Order, or as soon as reasonably practicable thereafter; (3) if such Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, in accordance with the terms and conditions of the particular transaction or course of business giving rise to such Allowed Administrative Claim, without any further action by the holder of such Allowed Administrative Claim; (4) at such time and upon such terms as may be agreed upon by the holder of such Allowed Administrative Claim and the Debtors or the Reorganized Debtors, as applicable; or (5) at such time and upon such terms as set forth in a Final Order of the Bankruptcy Court.

Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims that do not file and serve such a request by the Administrative Claim Bar Date will be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors, the Reorganized Debtors, or their property, and such Administrative Claims will be deemed discharged as of the Effective Date without the need for any objection from the Reorganized Debtors or any notice to or action, order, or approval of the Bankruptcy Court or any other Entity

The failure to object to Confirmation by a holder of an Allowed Administrative Claim or Priority Tax Claim will be deemed to be such holder's consent to receive treatment for such Claim that is different from that set forth in section 1129(a)(9) of the Bankruptcy Code; provided, however, that the holders of such Claims will be deemed to consent to the treatment on account of such Claims as provided herein.

b. Priority Tax Claims

Priority Tax Claims will be satisfied as set forth in Article II.A of the Plan, as summarized herein.

Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in full and final satisfaction, compromise, settlement, release, and discharge of, and in exchange for, each Allowed Priority Tax Claim, each holder of such Allowed Priority Tax Claim will receive treatment in a manner consistent with section 1129(a)(9)(C) of the Bankruptcy Code.

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

There are no known regulatory approvals that are required to consummate the Plan. However, to the extent such any such regulatory approvals or other authorizations, consents, rulings, or documents are necessary to implement and effectuate the Plan, it is a condition precedent to the Effective Date that they be obtained.

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

In the event that the Plan is not confirmed or does not go effective, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative transaction may provide holders of Claims with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see "Confirmation of the Plan - Best Interests of Creditors/Liquidation Analysis,"* which begins on page 48 of this Disclosure Statement., and the Liquidation Analysis attached hereto as **Exhibit F**.[7]

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

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

[7] The Debtors will file **Exhibit F** in advance of the objection deadline for this Disclosure Statement.

which begins on page 48 of this Disclosure Statement, for a discussion of the conditions precedent to consummation of the Plan.

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

If the Stand-Alone Restructuring occurs, the Plan and distributions thereunder will be funded by the following sources of Cash and consideration: (a) Cash on hand, (b) the issuance and distribution of New Common Equity, (c) proceeds from the Exit Facility, if any, and (d) proceeds from all Causes of Action not settled, released, discharged, enjoined, or exculpated under the Plan or otherwise on or prior to the Effective Date.

If the Sale Transaction occurs, the Plan and distributions thereunder will be funded by the following sources of Cash and consideration: (a) Cash on hand; (b) the Sale Proceeds; and (d) and proceeds from all Causes of Action not acquired pursuant to the Sale Transaction that are not settled, released, discharged, enjoined, or exculpated under the Plan or otherwise on or prior to the Effective Date.

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

Yes. See "Risk Factors," which begins on page 40 of this Disclosure Statement.

K. Will the final amount of Go-Forward Vendor Claims affect my recovery under the Plan?

The Debtors estimate that Go-Forward Vendor Claims total approximately $[●] million. If Class 4 votes to accept the Plan, then each holder of a Go-Forward Vendor Claim will receive its Pro Rata share of [●]. Although the Debtors' estimate of Go-Forward Vendor Claims is the result of the Debtors' and their advisors' careful analysis of available information, General Unsecured Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material.

Finally, the Debtors may object to certain proofs of claim, and any such objections ultimately could change the total amount of Allowed Go-Forward Vendor Claims, and such changes could be material

L. Will the final amount of Allowed General Unsecured Claims affect my recovery under the Plan?

The Debtors estimate that Allowed General Unsecured Claims total approximately $[●] million. If Class 5 votes to accept the Plan, then each holder of an Allowed General Unsecured Claim will receive its Pro Rata share of [●]. Although the Debtors' estimate of General Unsecured Claims is the result of the Debtors' and their advisors' careful analysis of available information, General Unsecured Claims actually asserted against the Debtors may be higher or lower than the Debtors' estimate provided herein, which difference could be material.

Moreover, the Debtors may in the future reject certain Executory Contracts and Unexpired Leases, which may result in additional rejection damages claims not accounted for in this estimate. Further, the Debtors may object to certain proofs of claim, and any such objections could ultimately cause the total amount of General Unsecured Claims to change.

Further, as of the Petition Date, the Debtors were parties to certain litigation matters that arose in the ordinary course of operating their businesses and could become parties to additional litigation in the future as a result of conduct that occurred prior to the Petition Date. Although the Debtors have disputed, are disputing, or will dispute in the future the amounts asserted by such litigation counterparties, to the extent these parties are ultimately entitled to a higher amount than is reflected in the amounts estimated by the Debtors herein, the total amount of Allowed General Unsecured Claims could change as well.

Finally, the Debtors may object to certain proofs of claim, and any such objections ultimately could change the total amount of Allowed General Unsecured Claims, and such changes could be material.

M. Will there be releases and exculpation granted to parties in interest as part of the Plan?[8]

Yes, Article X of the Plan proposes to release the Released Parties and to exculpate the Exculpated Parties. The Debtors' releases, third-party releases, and exculpation provisions included in the Plan are an integral part of the Debtors' overall restructuring efforts and were an essential element of the negotiations between the Debtors and their creditors in obtaining their support for the Plan and reorganization.

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

All holders of Claims that (i) elect to opt out of the releases contained in or (ii) timely Files with the Bankruptcy Court on the docket of the Chapter 11 Cases an objection to the releases contained in the Plan that is not resolved before Confirmation Article IX of the Plan will be deemed to have expressly, unconditionally, generally, individually, and collectively released and discharged all Claims and Causes of Action against the Debtors and the Released Parties. The releases represent an integral element of the Plan.

Based on the foregoing, the Debtors believe that the releases and exculpations in the Plan are necessary and appropriate and meet the requisite legal standard promulgated by the United States Court of Appeals for the Third Circuit. Moreover, the Debtors will present evidence at the Confirmation Hearing to demonstrate the basis for and propriety of the release and exculpation provisions.

1. ***Release of Liens***

Except as otherwise provided in the Exit Facility Documents, if applicable, Plan, the Plan Supplement, or any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, except for Other Secured Claims that the Debtors elect to reinstate in accordance with Error! Reference source not found. hereof, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates will be fully released, settled, compromised, and discharged, and all of the right, title, and interest of any holder of such mortgages, deeds of trust, Liens, pledges, or other security interests will revert automatically to the applicable Debtor and its successors and assigns. Any holder of such Secured Claim (and the applicable agents for such holder) will be authorized and directed to release any collateral or other property of any Debtor (including any cash collateral and possessory collateral) held by such holder (and the applicable agents for such holder), and to take such actions as may be reasonably requested by the Reorganized Debtors to evidence the release of such Lien, including the execution, delivery, and filing or recording of such releases. The presentation or filing of the Confirmation Order to or with any federal, state, provincial, or local agency or department will constitute good and sufficient evidence of, but will not be required to effect, the termination of such Liens.

2. ***Debtor Release***

Notwithstanding anything contained in the Plan to the contrary, pursuant to section 1123(b) of the Bankruptcy Code, in exchange for good and valuable consideration, the adequacy of which is hereby confirmed, on and after the Plan Effective Date, each Released Party is deemed to be, hereby conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Debtors, the Reorganized Debtors, their Estates, and any person seeking to exercise the rights of the Debtors or their Estates, including any successors to the Debtors or any Estates or any Estates representatives appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code, in each case on behalf of themselves and their respective successors, assigns,

[8] The Special Committee, with the assistance of its counsel and advisors, is currently undertaking an investigation into Estate claims and Causes of Action. The Release provision and related definitions are under continued negotiations. The Debtors reserve all rights to modify the Plan, including the release provisions of the Plan, and the Debtors reserve all rights and claims with respect thereto.

and representatives, and any and all other Entities who may purport to assert any Cause of Action, directly or derivatively, by, through, for, or because of the foregoing Entities, from any and all Claims and Causes of Action, including any derivative claims, asserted or assertable on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, contingent or non-contingent, in law, equity, contract, tort or otherwise, that the Debtors, the Reorganized Debtors, or their Estates, including any successors to the Debtors or any Estates representatives appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code, would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim against, or Interest in, a Debtor or other Entity, or that any holder of any Claim against, or Interest in, a Debtor or other Entity could have asserted on behalf of the Debtors, based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the capital structure, management, ownership, or operation thereof), any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the First Lien Credit Facility, the Second Lien Credit Facility, the Third Lien Credit Facility, the assertion or enforcement of rights and remedies against the Debtors, the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions, intercompany transactions between or among a Debtor and another Debtor, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or Filing of the RSA, the Disclosure Statement, the Bidding Procedures, the Sale Order (if applicable), the Plan (including, for the avoidance of doubt, the Plan Supplement), or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including any legal opinion requested by any Entity regarding any transaction, contract, instrument, document or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the RSA, the Disclosure Statement, the Bidding Procedures, the Sale Order (if applicable), the Plan, or the Plan Supplement, before or during the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the Disclosure Statement or the Plan, the solicitation of votes with respect to the Plan, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence related or relating to any of the foregoing taking place on or before the Plan Effective Date, including all Avoidance Actions or other relief obtained by the Debtors in the Chapter 11 Cases, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes actual fraud, willful misconduct, or gross negligence, each solely to the extent as determined by a Final Order of a court of competent jurisdiction. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post Plan Effective Date obligations of any party or Entity under the Plan, the Confirmation Order, any Restructuring Transaction, any Definitive Document, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan or any Claim or obligation arising under the Plan.

Entry of the Confirmation Order will constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the Debtors' release, which includes by reference each of the related provisions and definitions contained in the Plan, and further, will constitute the Bankruptcy Court's finding that the Debtors' release is: (a) in exchange for the good and valuable consideration provided by the Released Parties, including, without limitation, the Released Parties' contributions to facilitating the Restructuring and implementing the Plan; (b) a good faith settlement and compromise of the Claims released by the Debtors' release; (c) in the best interests of the Debtors and all holders of Claims and Interests; (d) fair, equitable, and reasonable; (e) given and made after due notice and opportunity for hearing; and (f) a bar to any of the Debtors, the Reorganized Debtors, or the Debtors' Estates asserting any Claim or Cause of Action released pursuant to the Debtors' release.

3. Release by Holders of Claims or Interests

as otherwise expressly set forth in this Plan or the Confirmation Order, on and after the Plan Effective Date, in exchange for good and valuable consideration, the adequacy of which is hereby confirmed, each Released Party is, and is deemed to be, hereby conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged by each Releasing Party from any and all Causes of Action, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, contingent or non-

contingent, in law, equity, contract, tort, or otherwise, including any derivative claims asserted on behalf of the Debtors, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors (including the capital structure, management, ownership, or operation thereof), any security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the First Lien Credit Facility, the Second Lien Credit Facility, the Third Lien Credit Facility, the assertion or enforcement of rights and remedies against the Debtors, the Debtors' in- or out-of-court restructuring efforts, any Avoidance Actions, intercompany transactions between or among a Debtor and another Debtor, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, or Filing of the RSA, the Disclosure Statement, the Bidding Procedures, the Sale Order (if applicable), the Plan (including, for the avoidance of doubt, the Plan Supplement), or any Restructuring Transaction, contract, instrument, release, or other agreement or document (including any legal opinion requested by any Entity regarding any transaction, contract, instrument, document or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion) created or entered into in connection with the RSA, the Disclosure Statement, the Bidding Procedures, the Sale Order (if applicable), the Plan, the Plan Supplement, before or during the Chapter 11 Cases, the Filing of the Chapter 11 Cases, the Disclosure Statement or the Plan, the solicitation of votes with respect to the Plan, the pursuit of Confirmation, the pursuit of Consummation, the administration and implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other act or omission, transaction, agreement, event, or other occurrence related or relating to any of the foregoing taking place on or before the Plan Effective Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes actual fraud, willful misconduct, or gross negligence, each solely to the extent as determined by a Final Order of a court of competent jurisdiction. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release (i) any party of any obligations related to customary banking products, banking services or other financial accommodations (except as may be expressly amended or modified by the Plan or any other financing document under and as defined therein) or (ii) any post Plan Effective Date obligations of any party or Entity under the Plan, the Confirmation Order, any Restructuring Transaction, any Definitive Document or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan, including the Exit Facility documents, if any, or any Claim or obligation arising under the Plan.

Entry of the Confirmation Order will constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the third-party releases, which includes by reference each of the related provisions and definitions contained herein, and, further, will constitute the Bankruptcy Court's finding that the third party releases are: (a) consensual; (b) essential to the confirmation of the Plan; (c) given in exchange for the good and valuable consideration provided by the Released Parties; (d) a good faith settlement and compromise of the Claims released by the third-party releases; (e) in the best interests of the Debtors and their Estates; (f) fair, equitable, and reasonable; (g) given and made after due notice and opportunity for hearing; and (h) a bar to any of the Releasing Parties asserting any claim or Cause of Action released pursuant to the third-party releases.

4. ***Exculpation***

Except as otherwise specifically provided in the Plan or the Confirmation Order, no Exculpated Party will have or incur liability for, and each Exculpated Party will be released and exculpated from, any Claims and Cause of Action for any claim related to any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, negotiation, Filing, or termination of the RSA and related prepetition transactions, the Disclosure Statement, the Bidding Procedures, the Sale Order (if applicable), the Plan, the Plan Supplement, or any Restructuring Transaction, contract, instrument, release or other agreement or document (including any legal opinion requested by any Entity regarding any transaction, contract, instrument, document or other agreement contemplated by the Plan or the reliance by any Released Party on the Plan or the Confirmation Order in lieu of such legal opinion), including any Definitive Document, created or entered into before or during the Chapter 11 Cases, any preference, fraudulent transfer, or other avoidance claim arising pursuant to chapter 5 of the Bankruptcy Code or other applicable law, the Filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the administration and

implementation of the Plan, including the issuance or distribution of securities pursuant to the Plan, or the distribution of property under the Plan or any other related agreement, or upon any other related act or omission, transaction, agreement, event, or other occurrence taking place on or before the Plan Effective Date, except for claims related to any act or omission that is determined in a Final Order by a court of competent jurisdiction to have constituted actual fraud, willful misconduct, or gross negligence, but in all respects such Entities will be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan.

The Exculpated Parties and other parties set forth above have, and upon confirmation of the Plan will be deemed to have, participated in good faith and in compliance with the applicable laws with regard to the solicitation of votes and distribution of consideration pursuant to the Plan and, therefore, are not, and on account of such distributions will not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

5. ***Injunction***

Except as otherwise expressly provided in the Plan or the Confirmation Order or for obligations or distributions issued or required to be paid pursuant to the Plan or the Confirmation Order, all Entities who have held, hold, or may hold Claims or Interests that have been released, discharged, or are subject to exculpation are permanently enjoined, from and after the Plan Effective Date, from taking any of the following actions against, as applicable, the Debtors, the Reorganized Debtors, the Exculpated Parties, or the Released Parties: (1) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests; (2) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against such Entities on account of or in connection with or with respect to any such Claims or Interests; (3) creating, perfecting, or enforcing any Lien or encumbrance of any kind against such Entities or the property or the Estates of such Entities on account of or in connection with or with respect to any such Claims or Interests; (4) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from such Entities or against the property of such Entities on account of or in connection with or with respect to any such Claims or Interests unless such holder has Filed a motion requesting the right to perform such setoff on or before the Plan Effective Date, and notwithstanding an indication of a Claim or Interest or otherwise that such holder asserts, has, or intends to preserve any right of setoff pursuant to applicable law or otherwise; and (5) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released or settled pursuant to the Plan.

Upon entry of the Confirmation Order, all holders of Claims and Interests and their respective current and former employees, agents, officers, directors, principals, and direct and indirect affiliates will be enjoined from taking any actions to interfere with the implementation or Consummation of the Plan. Except as otherwise set forth in the Confirmation Order, each holder of an Allowed Claim or Allowed Interest, as applicable, by accepting, or being eligible to accept, distributions under or Reinstatement of such Claim or Interest, as applicable, pursuant to the Plan, will be deemed to have consented to the injunction provisions set forth in the Plan.

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

The Bankruptcy Court has established [●] [●], 2021, at 5:00 p.m., prevailing Eastern Time, as the Claims bar date (the "Bar Date") in the Chapter 11 Cases. The following entities holding Claims against the Debtors that arose (or that are deemed to have arisen) prior to the Petition Date, must file proofs of claim on or before the Bar Date: (1) any entity whose Claim against a Debtor is not listed in the applicable Debtor's schedules of assets and liabilities ("Schedules") or is listed in the applicable Debtor's Schedules as contingent, unliquidated, or disputed if such entity desires to participate in any of the Chapter 11 Cases or share in any distribution in any of the Chapter 11 Cases; (2) any entity that believes its Claim is improperly classified in the Schedules or is listed in an incorrect amount and desires to have its Claim Allowed in a different classification or amount from that identified in the Schedules; (3) any entity that believes its Claim as listed in the Schedules is not an obligation of the specific Debtor against which the Claim is listed and that desires to have its Claim Allowed against a Debtor other than that identified in the Schedules;

and (4) any entity that believes its Claim against a Debtor is or may be an administrative expense pursuant to section 503(b)(9) of the Bankruptcy Code (but not any entity that believes it holds an Administrative Claim under section 503(b)(1) of the Bankruptcy Code).

In accordance with Bankruptcy Rule 3003(c)(2), if any person or entity that is required, but fails, to file a proof of claim on or before the Bar Date: (1) such person or entity will be forever barred, estopped, and enjoined from asserting such Claim against the Debtors (or filing a proof of claim with respect thereto); (2) the Debtors and their property may be forever discharged from any and all indebtedness or liability with respect to or arising from such Claim; (3) such person or entity will not receive any distribution in the Chapter 11 Cases on account of that Claim; and (4) such person or entity will not be permitted to vote on any plan or plans of reorganization for the Debtors on account of these barred Claims or receive further notices regarding such Claim.

As described in this Disclosure Statement, the distribution you receive on account of your Claim (if any) may depend, in part, on the amount of Claims for which proofs of claim are filed on or before the Bar Date.

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

The Voting Deadline is [●] [●], 2021, at 4:00 p.m. (prevailing Eastern Time).

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

Detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to holders of Claims that are entitled to vote on the Plan. For your vote to be counted, your ballot must be completed and signed so that it is **actually received** by [●] [●], 2021, at 5:00 p.m. (prevailing Eastern Time) by Kurtzman Carson Consultants, LLC (the "Solicitation Agent") at the following address: Alex and Ani Ballot Processing, c/o Kurtzman Carson Consultants, LLC 222 N. Pacific Coast, Highway, Ste 300, El Segundo CA 90245 (or returned in accordance with the instructions otherwise set forth on your ballot). See Article XII of this Disclosure Statement, which begins on page 43 of this Disclosure Statement.

IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE CONTACT THE SOLICITATION AGENT. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE VOTING INSTRUCTIONS WILL NOT BE COUNTED EXCEPT AS DETERMINED BY THE DEBTORS.

If a Class of Claims or Interests is eligible to vote and no holder of Claims or Interests, as applicable, in such Class votes to accept or reject the Plan, the Plan will be presumed accepted by such Class.

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

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

R. When is the Confirmation Hearing set to occur?

The Bankruptcy Court has scheduled the Confirmation Hearing for **[●] [●], 2021, at [●]:[●] [●].m**. (prevailing Eastern Time). The Confirmation Hearing may be adjourned from time to time without further notice. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. Subject to section 1127 of the Bankruptcy Code, the Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

Objections to Confirmation of the Plan must be filed and served on the Debtors, and certain other parties, by no later than **[●] [●], 2021, at 4:00 p.m.** (prevailing Eastern Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as **Exhibit C** and incorporated herein by reference.

The Debtors will publish the notice of the Confirmation Hearing, which will contain the deadline for objections to the Plan and the date and time of the Confirmation Hearing, in the national edition of *USA Today* and *The Providence Journal* to provide notification to those persons who may not receive notice by mail. The Debtors may also publish the notice of the Confirmation Hearing in such trade or other publications as the Debtors may choose.

S. What is the purpose of the Confirmation Hearing?

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

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

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Debtors that is the first business day after which all conditions to Consummation have been satisfied or waived. See Article X of the Plan. On or after the Effective Date, and unless otherwise provided in the Plan, the Reorganized Debtors may operate their businesses and, except as otherwise provided by the Plan, may use, acquire, or dispose of property and compromise or settle any Claims, Interests, or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

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

If the Stand-Alone Restructuring occurs, then as of the Effective Date, the term of the current members of the board of directors of the Debtors will expire, and the New Boards and the officers of each of the Reorganized Debtors will be appointed in accordance with the New Organizational Documents and other constituent documents of each Reorganized Debtor. Provisions regarding the removal, appointment, and replacement of members of the subsequent Reorganized Debtors will be determined by the Reorganized Debtors.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will, to the extent reasonably practicable, disclose in advance of the Confirmation Hearing the identity and affiliations of any Person proposed to serve on the Reorganized Alex and Ani Board, as well as those Persons that will serve as an officer of Reorganized Alex and Ani. To the extent any such director or officer is an "insider" under the Bankruptcy Code, the nature of any compensation to be paid to such director or officer will also be disclosed. Provisions regarding the removal, appointment, and replacement of members of the Reorganized Alex and Ani Board will be disclosed in the New Organizational Documents.

If the Sale Transaction occurs, the existing board of directors or managers, as applicable, of the Debtors will be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, managers, shareholders, or members, and any remaining officers, directors, managers, or managing members of any Debtor will be dismissed without any further action required on the part of any such Debtor, the equity holders of the Debtors, the officers, directors, or managers, as applicable, of the Debtors, or the members of any Debtor. Subject in all respects to the terms of this Plan, the Debtors will be dissolved as soon as practicable on or after the Effective Date, but in no event later than the closing of the Chapter 11 Cases.

As of the Effective Date, the Plan Administrator will act as the sole officer, director, and manager, as applicable, of the Debtors with respect to its affairs. Subject in all respects to the terms of this Plan, the Plan Administrator will have the power and authority to take any action necessary to wind down and dissolve any of the Debtors.

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

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Notice and Claims Agent, Kurtzman Carson Consulting LLC:

By regular mail at:
Alex and Ani Ballot Processing
c/o Kurtzman Carson Consulting, LLC
222 N. Pacific Coast, Highway, Ste 300
El Segundo CA 90245

By hand delivery or overnight mail at:
Alex and Ani Ballot Processing
c/o Kurtzman Carson Consulting, LLC
222 N. Pacific Coast, Highway, Ste 300
El Segundo CA 90245

By electronic mail at:
AlexandAniInfo@kccllc.com

By telephone at:
(888) 733-1434 **(Domestic)**
(310) 751-2633 **(International)**

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

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

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

X. Who Supports the Plan?

The Plan is supported by the Debtors and a large number of the Debtors' creditors and stakeholders, including the Consenting Sponsor, 100 percent of holders under the First Lien Credit Facility, Second Lien Credit Facility, and Third Lien Credit Facility and 100 percent of holders of the Debtors' Existing Equity Interests.

V. THE DEBTORS' PLAN

A. The Plan

As discussed in Article III herein, the Plan contemplates two different paths forward, each effectuated through a chapter 11 plan under the following applicable key terms:

1. Recovery to Holders of Other Secured Claims

Each holder of an Allowed Other Secured Claim will receive, at the option of the applicable Reorganized Debtor and in consultation with the Consenting Sponsor: (a) payment in full in Cash of such holder's Allowed Other

Secured Claim; (b) the collateral securing such holder's Allowed Other Secured Claim; (c) Reinstatement of such holder's Allowed Other Secured Claim; or (d) such other treatment rendering such holder's Allowed Other Secured Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code.

2. Recovery to Holders of Other Priority Claims

Each holder of an Allowed Other Priority Claim will receive payment in full in Cash of such holder's Allowed Other Priority Claim or such other treatment in a manner consistent with section 1129(a)(9) of the Bankruptcy Code.

3. Recovery to Holders of Secured Credit Facility Claims

Except to the extent the holder of an Allowed Secured Credit Facility Claim agrees to less favorable treatment, each holder of an Allowed First Lien Credit Facility Claim will receive its Pro Rata share of: (a) if the Stand-Alone Restructuring is consummated, [●] percent of the New Common Equity (subject to dilution by the Management Incentive Plan); or (b) if the Sale Transaction is consummated, the Sale Proceeds Recovery.

4. Recovery to Holders of Go-Forward Vendor Claims

Each holder of an Allowed Go-Forward Vendor Claim will receive its Pro Rata share (not to exceed the amount of such holder's Allowed Go-Forward Vendor Claim) of [●].

5. Recovery to Holders of General Unsecured Claims[9]

Each holder of an Allowed General Unsecured Claim will receive its Pro Rata share (not to exceed the amount of such holder's Allowed General Unsecured Claim) of [●].

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan will constitute a good-faith compromise and settlement of all Claims, Interests, Causes of Action, and controversies released, settled, compromised, discharged, or otherwise resolved pursuant to the Plan. The Plan will be deemed a motion to approve the good-faith compromise and settlement of all such Claims, Interests, Causes of Action, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order will constitute the Bankruptcy Court's approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, as well as a finding by the Bankruptcy Court that such settlement and compromise is fair, equitable, reasonable, and in the best interests of the Debtors and their Estates.

Critical components of such settlement include the Debtor releases and third-party releases incorporated into the Plan, treatment of and distributions to creditors under the Plan, post-emergence governance rights incentive programs, conditions precedent to Plan confirmation, the treatment of avoidance actions, debtor-in-possession financing, milestones, and covenants. The components of the Plan reflect and implement the concessions and compromises agreed to by the Debtors and their stakeholders. The parties to be released under the Plan afforded value to the Debtors and aided in the reorganization process by playing a role in the formulation of the Plan and have expended time and resources analyzing and negotiating the complex issues presented by the Debtors' capital structure. The release provisions in the Plan were a component of the Debtors' ability to achieve consensus and a prearranged plan of reorganization that maximizes recoveries to the Debtors' creditors and affords the Reorganized Debtors the opportunity to restructure their business to compete effectively post-emergence. Absent the prearranged bankruptcy filing and expeditious implementation of the Plan (which preserves trade relationships and, therefore, enterprise value), the Debtors could face a longer, costlier, and uncertain chapter 11 process mired with contentious litigation or a near-term liquidation, which could materially delay and reduce distributions to creditors.

[9] The Debtors reserve the right to increase the recovery to Holders of Allowed General Unsecured Claims after solicitation of the votes of such Holders. In that event, such Holder's votes on the Plan will be deemed to be the votes on the Plan as modified to provide for any more favorable treatment to Holders of Allowed General Unsecured Claims.

B. Certain Key Terms Used in this Disclosure Statement

The following are some of the defined terms used in this Disclosure Statement. This is not an exhaustive list of defined terms in the Plan or this Disclosure Statement, but is provided for ease of reference only. Please refer to the Plan for additional defined terms.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware and, to the extent of the withdrawal of reference under section 157 of the Judicial Code, the United States District Court for the District of Delaware.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, as applicable to the Chapter 11 Cases, promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

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

"Claim" means any claim, as such term is defined in section 101(5) of the Bankruptcy Code, against a Debtor or a Debtor's Estate.

"Confirmation Date" means the date on which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases within the meaning of Bankruptcy Rules 5003 and 9021.

"Confirmation Hearing" means the hearing held by the Bankruptcy Court, if any, to consider Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code.

"Interest" means any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code, including all issued, unissued, authorized, or outstanding shares of capital stock of the Debtors and any other rights, options, warrants, stock appreciation rights, phantom stock rights, restricted stock units, redemption rights, repurchase rights, convertible, exercisable, or exchangeable securities, or other agreements, arrangements, or commitments of any character relating to, or whose value is related to, any such interest or other ownership interest in any Debtor whether or not arising under or in connection with any employment agreement and whether or not certificated, transferable, preferred, common, voting, or denominated "stock" or a similar security, including any Claims against any Debtor subject to subordination pursuant to section 510(b) of the Bankruptcy Code arising from or related to any of the foregoing.

"Person" will have the meaning set forth in section 101(41) of the Bankruptcy Code.

"Plan Supplement" means the compilation of documents and forms of documents, agreements, schedules, and exhibits to the Plan (as may be altered, amended, modified, or supplemented from time to time in accordance with the terms hereof and in accordance with the Bankruptcy Code and Bankruptcy Rules) to be Filed by the Debtors no later than seven days before the Voting Deadline or such later date as may be approved by the Bankruptcy Court on notice to parties in interest, including the following, as applicable: (a) New Organizational Documents; (b) Schedule of Assumed Executory Contracts and Unexpired Leases; (c) Schedule of Rejected Executory Contracts and Unexpired Leases; (d) Schedule of Retained Causes of Action; [(e) any Management Incentive Plan;] (f) the Asset Purchase Agreement; (g) the identity and compensation of the Plan Administrator, if any; (h) the Wind Down Budget, if any; and (i) any other necessary documentation related to the Sale Transaction and the Wind Down as contemplated under the Plan, as applicable.

C. Additional Important Information

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

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

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

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

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

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

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

Pursuant to section 1145 of the Bankruptcy Code, the issuances of the New Common Equity as contemplated by the Plan are exempt from, among other things, the registration requirements of Section 5 of the Securities Act and any other applicable U.S. state or local law requiring registration prior to the offering, issuance, distribution, or sale of Securities. The New Common Equity are not "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, and (b) are freely tradable and transferable by any initial recipient thereof, subject to compliance with the New Organizational Documents, that (i) is not an "affiliate" of the Reorganized Debtors as defined in Rule 144(a)(1) under the Securities Act, (ii) has not been such an "affiliate" within 90 days of such transfer, and (iii) is not an entity that is an "underwriter" as defined in subsection (b) of section 1145 of the Bankruptcy Code.

There is not and there may not be a public market for the New Common Equity, and Reorganized Alex and Ani does not intend to seek any listing of the New Common Equity on any stock exchange or other trading market of any type whatsoever. Accordingly, there can be no assurance that an active trading market for the New Common Equity will ever develop or, if such a market does develop, that it will be maintained.

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

- business strategy;
- financial condition, revenues, cash flows, and expenses;

- levels of indebtedness, liquidity, and compliance with debt covenants;
- financial strategy, budget, projections, and operating results;
- general economic and business conditions;
- counterparty credit risk;
- the outcome of pending and future litigation;
- uncertainty regarding the Debtors' future operating results; and
- plan, objections, and expectations.

Statements concerning these and other matters are not guarantees of the Reorganized Debtors' future performance. There are risks, uncertainties, and other important factors that could cause the Reorganized Debtors' actual performance or achievements to be different from those they may project, and the Debtors undertake no obligation to update the projections made herein. These risks, uncertainties, and factors may include the following: the Debtors' ability to confirm and consummate the Plan; the potential that the Debtors may need to pursue an alternative transaction if the Plan is not confirmed; the Debtors' ability to reduce their overall financial leverage; the potential adverse impact of the Chapter 11 Cases on the Debtors' operations, management, and employees; the risks associated with operating the Debtors' businesses during the Chapter 11 Cases; customer and vendor responses to the Chapter 11 Cases; the Debtors' inability to discharge or settle Claims during the Chapter 11 Cases; general economic, business, and market conditions; exposure to litigation; the Debtors' ability to implement cost reduction initiatives in a timely manner; the Debtors' ability to divest existing businesses; and adverse tax changes.

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

A. The Debtors' History

Alex and Ani, along with its affiliated Debtors, are engaged in the sale of specialty jewelry and associated merchandise. The Debtors are headquartered in Greenwich, Rhode Island, and operate approximately 48 stores across the United States, Canada, and Puerto Rico, as well as e-commerce operations. A corporate organization chart is attached to the Disclosure Statement as **Exhibit B**.

Alex and Ani was founded by Carolyn Rafaelian in 2004 as a small jewelry company selling wire charm bracelets and manufacturing jewelry for private labels. Ms. Rafaelian and her sister followed in the footsteps of their father, who owned a jewelry factory, Cinerama, Inc. ("Cinerama"), in Cranston, Rhode Island. At the time of its founding, the Company operated out of Cinerama's basement. The Company channeled Ms. Rafaelian's spiritual energy and ethos, and Alex and Ani's jewelry was soon known as a symbol of spiritual well-being and empowerment. The Company grew significantly beginning in 2010; to a valuation of over $1 billion in 2014; Ms. Rafaelian was ranked by Forbes as one of America's richest self-made women in 2017. In less than a decade, the Company had: (a) increased the number of bracelets sold to nearly 10 million bracelets per year; (b) expanded from less than two dozen to over 1,000 employees; (c) partnered with national department stores to carry the Alex and Ani line; and (d) opened more than 100 stores.

Alex and Ani's explosive growth in the early 2010s was driven by its dedicated customer base, expansive offerings through partnership with brand-loyal followings, and the stackability of its patented wire bracelets. The Company's signature bracelets consist of a slim adjustable wire loop adorned with customizable charms, making each piece adjustable and "one size fits all." Customers are encouraged to buy charms that reflect the wearer's identity or interests, and combine bracelets to form unique pairings. The Company also offers a wide array of other jewelry products including rings, necklaces, and hoop earrings.

The Company holds over 70 domestic and international patents related to its jewelry and design, including for its iconic expandable wire metal bracelet. The Company also owns several trademarks, including Alex and Ani®, as well as the related trademark and service mark rights.

As part of its marketing strategy, the Company partners with well-established brands and charities to create exclusive pieces featuring its partners' trademarks and logos. The Company currently has over 50 brand partners and is party to over 50 licensing agreements, including with Mattel, Major League Baseball, Warner Brothers, and certain charity partners, including UNICEF and Make-A-Wish America, among others. These partnership pieces are not only popular with the Company's existing customers, but are also instrumental in allowing the Company to reach new audiences. The Company's brand partnerships and licensing agreements are critical to the Company's business, representing approximately 19.5 percent and 22.5 percent of the Company's revenue for the year ending January 2020 and January 2021, respectively.

B. The Debtors' Business Operations

1. Brick-and-Mortar Presence

The Company is party to approximately 74 leases for stores across the United States, Canada, and Puerto Rico. Approximately 25 of the Company's leased locations are currently closed as a result of the COVID-19 pandemic. The Company's brick-and-mortar segment generally has been unprofitable since early 2020 due to the industrywide challenges faced by brick-and-mortar stores.

The Company also partnered with many national department stores, such as Neiman Marcus, Bloomingdale's, Nordstrom, Nordstrom Rack, and Dillard's, and over 300 small independent retailers to display and sell its branded jewelry line. The Company's sales to its authorized retail partners, which are at wholesale prices, comprised approximately 43 percent of the Company's total consolidated sales in 2019, which was the Company's last full fiscal year operating all stores.

2. The E-Commerce Platform

The Company has maintained a robust and interactive online presence over the last several years. Today, approximately 45 percent of the Company's total sales originate through e-commerce. Online sales are conducted primarily through the Company's brand-specific website, alexandani.com.

On the Company's website, shoppers can purchase merchandise and find fashion advice, trends, quizzes, style pointers, and blog posts. The Company recently began offering certain personalization options on its website, which allow customers to create personalized bracelets and necklaces by purchasing and combining a variety of charms or ordering custom-engraved jewelry. The Company's website is a critical tool for educating existing and potential customers about its products, driving traffic to its stores, and creating a sense of community with its followers.

C. Critical Components of the Company's Cost Structure.

1. Supply Chain, Manufacturing, and Production Processes

Each piece of Alex and Ani branded jewelry is designed, engineered, and assembled in America. The Company sources nearly 100 percent of its products' component parts domestically, largely from Rhode Island businesses. The Company is vertically integrated and maintains a supply chain aimed at ensuring the uninterrupted flow of fresh merchandise to its customers. In addition, the Company has certain strategic alliances with local manufacturers who provide finished goods to the Company's specifications. The Company's products are generally stored, assembled, packaged, and shipped from the Company's combined headquarters and distribution center in East Greenwich, Rhode Island, although the Company occasionally contracts assembly and packaging services to third-party providers.

2. Employee Compensation and Benefits

As the Company employs approximately 524 employees, including an estimated 279 full-time employees and an estimated 245 part-time employees. None of the employees is covered by a collective bargaining agreement. The Company offers its employees the opportunity to participate in a number of insurance and benefit programs, including, among other programs, medical, dental, and vision plans, life insurance, disability insurance, workers' compensation, paid time off, and other employee benefit plans.[10] The Company's workforce-related obligations, including wages and benefit-related obligations, total approximately $2 million per month.

3. Leased Real Estate Obligations.

The Company leases all of its store locations and offices, including its combined headquarters and distribution center in East Greenwich, Rhode Island. The aggregate annual occupancy costs of its current lease footprint is approximately $12.7 million.

Before the Petition Date, the Company's management team and advisors undertook an extensive analysis of the Company's existing store footprint to determine if (and how many) stores the Company should permanently close in connection with its broader financial and operational restructuring initiatives. The Company ultimately determined that it was advisable to permanently close 37 store locations that the Company determined in its business judgment were unprofitable under the current lease terms, including 12 store locations for which the applicable lease had terminated or expired as of the Petition Date and an additional 25 store locations that were closed as of the Petition Date, all as set forth in greater detail in the Lease Rejection Motion filed on the Petition Date.

VII. THE DEBTORS' PREPETITION CORPORATE AND CAPITAL STRUCTURE

The Debtors' corporate enterprise consists of nine debtor entities.[11] An illustration of the Company's corporate structure is set on **Exhibit B**.

As of the Petition Date, the Company has approximately $127.4 million in the aggregate principal amount of outstanding funded debt obligations, including capitalized interest, consisting of approximately $20.4 million under the First Lien Credit Facility, approximately $25.2 million under the Second Lien Credit Facility, and approximately $81.8 million under the Third Lien Credit Facility. The current capital structure results from the Company's 2019 out-of-court restructuring, which subordinated a portion of its existing debt to the new Second Lien Credit Facility, thereby creating the "synthetic" Third Lien Credit Facility. The following table summarizes the Company's outstanding funded debt obligations as of the Petition Date:

Funded Debt	Maturity	Approximate Outstanding Principal Amount[12]
First Lien Credit Facility	January 31, 2022	$20.4 million
Second Lien Credit Facility	January 31, 2022	$25.2 million
Third Lien Credit Facility	January 31, 2022	$81.8 million
Total		$127.4 million

In addition to funded debt obligations, the Company has outstanding unsecured trade debts (*e.g.*, amounts owed to trade vendors, suppliers, landlords) that total approximately $29.1 million as of the Petition Date and other contingent and unliquidated unsecured obligations related to outstanding litigation.

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[10] Further details regarding the Company's workforce and wage and employee benefit-related obligations are described in the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing, But Not Directing, the Debtors to (A) Pay Prepetition Employee Wages, Salaries, Other Compensation, and Reimbursable Employee Expenses and (B) Continue Employee Benefits Programs and (II) Granting Related Relief* [Docket No. 6].

[11] The nine debtor entities are Alex and Ani, LLC, A and A Shareholding Co., LLC, Alex and Ani Retail, LLC, Alex and Ani International, LLC, Alex and Ani California, LLC, Alex and Ani Assembly, LLC, Alex and Ani Canada, LLC, Alex and Ani Puerto Rico, LLC, and Alex and Ani South Seas, LLC.

[12] Amounts include capitalized interest.

A. The First and Third Lien Credit Agreement.

The Company entered into that certain Credit Agreement, dated as of January 29, 2016 (as amended, restated, or otherwise modified from time to time prior to September 13, 2019, the "First Lien Credit Agreement"), by and among Alex and Ani, LLC, as the borrower (the "Borrower"), A and A Shareholding Co., LLC, as "Holdings", the Company guarantors party thereto from time to time (collectively, and including A&A Shareholding Co., LLC, the "Guarantors"), Bank of America, N.A., as administrative agent (in such capacity, prior to the succession by Wilmington Trust, National Association, described below, "Bank of America"), and the other lenders party thereto from time to time (the "First Lien Lenders"). At the time of its issuance, the First Lien Credit Agreement provided for a $175 million senior secured first lien term loan facility (the "First Lien Term Loans") and a $30 million senior secured first lien revolving credit facility (the "Revolver," and together with the First Lien Term Loans, the "First Lien Credit Facility"), each secured by a first priority lien on substantially all of the assets of the Borrower and Guarantors, subject to certain exclusions (collectively, the "Collateral").

On September 13, 2019, in connection with the 2019 Restructuring, the First Lien Credit Agreement was amended (such amended First Lien Credit Agreement, as further amended, restated, or otherwise modified from time to time, the "First and Third Lien Credit Agreement") to allow Lion Capital (as defined in the First and Third Lien Credit Agreement) and Alex and Ani Pledge Co. (an entity owned by Ms. Rafaelian) ("A&A Pledge Co.")to provide $20 million of additional capital to the Company secured by a second priority lien on the Collateral (pursuant to the Second Lien Credit Facility, as further described below). As part of the amendment, the First Lien Lenders agreed to subordinate $76,289,062.50 of then-outstanding First Lien Term Loans to the Second Lien Credit Facility in right of payment and security, creating a synthetic third lien credit facility (the "Third Lien Credit Facility") secured by a subordinate and junior priority lien on the Collateral. As of September 13, 2019, the aggregate principal amount of outstanding First Lien Term Loans that were not subordinated was $25,429,687.50, and the total commitment under the Revolver was $4,950,495.50.

As of the Petition Date, there is approximately $20.4 million of principal outstanding under the First Lien Credit Facility and approximately $81.8 million of principal outstanding under the Third Lien Credit Facility, each including capitalized interest. Approximately $250,000 of accrued interest is outstanding under the First Lien Credit Facility and approximately $6 million of accrued interest is outstanding under the Third Lien Credit Facility. Both the First Lien Credit Facility and the Third Lien Credit Facility mature on January 31, 2022.

B. The Second Lien Credit Agreement.

On September 13, 2019, the Company entered into that certain Second Lien Credit Agreement, dated as of September 13, 2019 (as amended, restated, or otherwise modified from time to time, the "Second Lien Credit Agreement"), by and among Alex and Ani, LLC, as the borrower, A and A Shareholding Co., LLC, as "Holdings", the Guarantors party thereto from time to time, as guarantors, Wilmington Trust, National Association, as administrative agent, and Lion Capital (as defined in the Second Lien Credit Agreement) and A&A Pledge Co., as initial lenders (the "Second Lien Lenders"). The Second Lien Credit Agreement provides for a $20 million term loan facility (the "Second Lien Credit Facility"), which was secured by a second priority lien on all of the Collateral excluding the Revolver Cash Collateral, which secured only the Revolver under the First and Third Lien Credit Agreement.

Once $5 million of the proceeds from the Second Lien Credit Facility was delivered to Bank of America as cash collateral to secure the Revolver (the "Revolver Cash Collateral") under the First and Third Lien Credit Agreement. Upon prepayment and termination in full of the Revolver, the First and Third Lien Credit Agreement and the Second Lien Credit Agreement required release of the Revolver Cash Collateral under the First and Third Lien Credit Agreement to prepay outstanding term loans under the Second Lien Credit Facility (the "Prepayment Requirement"). On May 19, 2021, the Revolver was terminated in full by the Borrower and the Revolver Cash Collateral was released to the Borrower's deposit account. On June 7, 2021, the Company; and the requisite amount of First Lien Lenders and Second Lien Lenders amended the First and Third Lien Credit Agreement and the Second Lien Credit Agreement, respectively, to waive and remove the Prepayment Requirement, providing the Company access to the released Revolver Cash Collateral to fund general working capital needs and these cases. The Second Lien Credit Facility matures on January 31, 2022.

As of the Petition Date, there is approximately $25.2 million of principal outstanding, including capitalized interest, and approximately $6.1 million of accrued interest outstanding under the Second Lien Credit Facility. The Second Lien Credit Facility matures on January 31, 2022.

C. Equity Interests.

The Company was wholly owned by Ms. Rafaelian until 2012, at which time she sold a 40 percent interest to San Francisco-based private equity firm JH Partners. JH Partners sold its interest to LC A&A Holdings, Inc., an affiliate of London-based private equity firm Lion Capital LLC (together with its affiliates LC A&A Holdings, Inc. and LC A&A Intermediate Investors LLC, "Lion Capital"), approximately two years later. LC A&A Holdings, Inc. increased its ownership to approximately 58.75% in connection with the 2019 Restructuring. As of the Petition Date, the equity units of debtor A and A Shareholding Co., LLC ("A&A Shareholding"), the ultimate parent entity, are held 58.75 percent and 41.25 percent by LC A&A Holdings, Inc. and Ms. Rafaelian (through A&A Pledge Co.), respectively.

D. Other Material Pending Litigation

The Company has been party to numerous lawsuits stemming from its leadership turnover in the mid-2010s, as further described below. While the Company was able to resolve the majority of these lawsuits before commencing these chapter 11 cases, a suit by the Company's former acting Chief Operational Officer seeking over $1 million in damages remains outstanding.

VIII. EVENTS LEADING TO THE CHAPTER 11 FILINGS

The Company experienced two major declines that precipitated these chapter 11 cases. ***First***, prior to the 2019 Restructuring, the Company's revenue dropped from its peak of approximately $340 million in 2015 to approximately $224 million in 2018 due to operational difficulties. Moreover, tensions within the Company exacerbated the effects of these challenges as the Company experienced significant management turnover, which in turn impacted its customer and vendor relationships. The Company attempted to resolve these issues as part of the 2019 Restructuring, as further described below. ***Second***, the COVID-19 pandemic began only six months after the consummation of the 2019 Restructuring, drastically altering consumer habits and creating additional challenges for the already struggling brick and mortar retail stores.

A. Business Challenges and Leadership Turnover

Despite the Company's growth between 2010 and 2015, it ran into a series of operational challenges beginning in 2016, including surplus inventory and burdensome long-term leases. The Company also faced challenges with respect to inventory management, which inhibited its ability to fulfill a large percentage of wholesale orders. As a result, the Company's wholesale business declined from 59 percent of total revenue in 2015 to 19 percent of total forecasted revenue for 2021. Additionally, the general shift in consumer preferences away from brick-and-mortar stores led to a decrease in foot traffic and sales in the Company's stores and at authorized retailers.

These operational challenges were compounded by significant overturn in the Company's executive management team. In early 2014, then-CEO Giovanni Feroce departed the Company at Ms. Rafaelian's request. Mr. Feroce's departure was quickly followed by the voluntary or requested departure of the Company's chief financial officer, chief technical officer, chief strategy officer, chief digital officer, acting chief operating officer, assistant general counsel, and its vice presidents of transitional operations, retail, and wholesale.[13] This significant turnover in a condensed time period resulted in a significant loss of institutional knowledge and the disruption of key business relationships.

[13] Certain employee departures resulted in wrongful termination and other employment-related litigation, as described above. As of the Petition Date, the Company is still litigating one employment-related lawsuit stemming from that period, and only recently settled another in April 2021.

Mr. Feroce was succeeded briefly by Harlan Kent, a former CEO of Yankee Candle. While Mr. Kent's official title was President, Ms. Rafaelian retained the position of CEO. Mr. Kent's employment with the Company lasted just under a year, at which point in time Ms. Cindy DiPietrantonio, then Chief Operating Officer, was appointed President for a short period. Following Ms. DiPietrantonio's departure, Ms. Rafaelian assumed the responsibilities of President and CEO, a position she maintained until the consummation of the 2019 Restructuring. During that time, the Company continued to experience operational difficulties.

B. The 2019 Restructuring

In December 2018, Bank of America, then-administrative agent, declared a default under the First Lien Credit Agreement and accelerated the obligations thereunder following a violation of the net leverage ratio covenant. Bank of America also suspended the Borrower's access to the Revolver, raised the interest rate on the Company's First Lien Term Loans, and imposed certain additional fees. Additionally, the First Lien Lenders engaged Berkeley Research Group to advise with respect to a restructuring of the Company. In response to these actions, Ms. Rafaelian authorized the Company to file a lawsuit against Bank of America in July 2019 in the United States District Court for the Southern District of New York (the "BOA Lawsuit") alleging breach of contract, tortious interference, and gender discrimination.

To avoid a bankruptcy proceeding as a result of the acceleration of the Company's outstanding debt obligations, Lion Capital, the then-minority equity owner of A&A Shareholding, engaged with Bank of America and Ms. Rafaelian regarding the terms of a restructuring that would waive the outstanding defaults and provide additional working capital for the Company. Following months of negotiations, the parties agreed to a series of transactions, including:

- the $20 million Second Lien Credit Facility, $13 million of which was provided by LC A&A Intermediate Investors LLC and $7 million of which was provided by Alex and Ani Pledge Co. (an entity owned by Ms. Rafaelian);
- an amendment of the First Lien Credit Agreement to (a) allow for the incurrence of the Second Lien Credit Facility, (b) subordinate $76,289,062.50 of First Lien Term Loans to the Second Lien Credit Facility, and (c) waive all outstanding defaults;
- dismissal with prejudice of the BOA Lawsuit;
- the resignation of Ms. Rafaelian as Chief Executive Officer and appointment of Robert Trabucco as Chief Restructuring Officer and Interim Chief Executive Officer; and
- adjustment of Ms. Rafaelian's (through A&A Pledge Co.) and Lion Capital's respective equity interest in A&A Shareholding from approximately 60 percent and 40 percent, respectively, to approximately 40 percent and 60 percent, respectively.

On September 13, 2019, Ms. Rafaelian personally borrowed $5 million from Lion Capital pursuant to a promissory note and guaranty of payment (the "Promissory Note") to fund a portion of her commitments under the Second Lien Credit Facility. The Promissory Note accrued interest at a rate of 3.5 percent payable in cash each calendar month, was secured by a pledge of all of A&A Pledge Co.'s equity in A&A Shareholding, and matured on June 15, 2020. Ms. Rafaelian retained her position as a manager of the board of debtor A and A Shareholdings Co., LLC (the "Board") and transitioned to a new role as Chief Creative Officer for the Company.

C. The Ryuk Virus and COVID-19 Pandemic.

In February 2020, the Company fell victim to a ransomware virus, known as the Ryuk Virus, which caused significant disruption to the Company's operations for several months. In addition, less than six months after consummating the 2019 Restructuring, the COVID-19 pandemic created unprecedented disruption across many industries and significantly impacted the retail industry as a whole. The Company was forced to temporarily close all of its stores in March 2020 due to various local, state, and federal stay-at-home orders. The Company depends heavily

on foot traffic in its stores to generate income, with approximately 43 percent of revenue in 2019 derived from its standalone stores. The Company also depends almost entirely on consumer discretionary spending, which declined by over $500 billion in 2020 from the prior year.[14] These factors combined to result in a 40 percent decline in the Company's revenue in 2020.

The Company undertook swift cost-cutting measures to adapt to the changing retail environment in response to the government's restrictions on business activities and shutdowns, closing all stores, temporarily furloughing approximately 79 percent of its employees and temporary staff, instituting salary reductions, and terminating over 315 employees, including Ms. Rafaelian on May 8, 2020.

D. Carolyn Rafaelian Sues the Company and Lion Capital Affiliates

Lion Capital declared a default under the Promissory Note in April 2020 due to Ms. Rafaelian's failure to make monthly interest payments under the Promissory Note. In response, Ms. Rafaelian and several of her affiliated entities sued LC A&A Holdings, Inc., an affiliate of Lion Capital, in the United States District Court for the District of Rhode Island (the "Rhode Island Lawsuit") on June 3, 2020 seeking a declaratory judgment that Ms. Rafaelian was not in breach of the Promissory Note and enjoining the defendant from foreclosing, collecting, or levying on any collateral securing the Promissory Note.

On June 12, 2020, Ms. Rafaelian amended her complaint (the "Amended Complaint") to include LC A&A Intermediate Investors, LLC, a Second Lien Lender, equity holder of A&A Shareholding, and another Lion Capital affiliate; debtor A&A Shareholding; Mr. Trabucco as Chief Restructuring Officer; and Lyndon Lea, a co-founder of Lion Capital and a manager of the Board, as defendants. The Amended Complaint asserts, among other things, securities fraud and common-law fraud claims against all defendants; breach of contract against A&A Shareholding; and control-person liability against Mr. Trabucco and Mr. Lea. Among other things, Ms. Rafaelian alleges that she was fraudulently induced into participating in the Second Lien Credit Facility based on an alleged misrepresentation of the Company's financial position and its ability to fund certain new product lines. Ms. Rafaelian is seeking, among other relief, $1 million in alleged damages on her breach of contract claim, rescission of the Second Lien Credit Agreement, and other declaratory and compensatory relief. The defendants filed a motion to dismiss the Amended Complaint in its entirety, and the Rhode Island Lawsuit remains pending as of the Petition Date.

The Promissory Note matured on June 15, 2020. Ms. Rafaelian failed to timely make any principal or interest payments as required thereunder. As a result, Lion Capital filed an action for summary judgment in lieu of complaint against Ms. Rafaelian and certain affiliated guarantors under the Promissory Note on June 17, 2020 in the Supreme Court of the State of New York, New York County (the "New York Supreme Court"). On October 28, 2020, the New York Supreme Court ordered Ms. Rafaelian to repay Lion Capital the $5 million loaned under the Promissory Note in connection with the 2019 Restructuring, as well as interest and attorneys' fees. Ms. Rafaelian ultimately repaid Lion Capital the amounts owed under the Promissory Note and pursuant to the New York Supreme Court's judgment in November 2020. Ms. Rafaelian filed a notice of appeal of the New York Supreme Court's order (the "New York Appeal") that same month. The New York Appeal remains pending as of the Petition Date.

E. Current Restructuring Efforts.

1. Continuing Defaults under the First and Third Lien Credit Agreement and Assignment Thereof.

The Company defaulted under the First and Third Lien Credit Agreement in July 2020 and again in October 2020, as a result of its failure to comply with certain reporting and operational requirements and financial covenants. While the Company originally secured a waiver of these defaults, this prompted ongoing dialogue between the Company and Bank of America, as then-administrative agent, regarding a more comprehensive restructuring. It

[14] Thomas Mitterling, Niai Tomass, & Kelsey Wu, *The decline and recovery of consumer spending in the US*, Brookings (Dec. 14, 2020), https://www.brookings.edu/blog/future-development/2020/12/14/the-decline-and-recovery-of-consumer-spending-in-the-us/.

became clear as part of these conversations that the First Lien Lenders were not interested in supporting a comprehensive restructuring, and no longer intended to support the Company as a going concern.

In February 2021, Bank of America declared another default and accelerated all obligations under the First and Third Lien Credit Agreement following the Company's failure to remit certain amounts and comply with certain reporting requirements and financial covenants thereunder. At this time, the First Lien Lenders insisted on a sale of the Company that would allow for repayment of their outstanding debt. In light of this position, Lion Capital—who was interested in supporting the Company through a restructuring—entered into negotiations with the First Lien Lenders to purchase all outstanding debt under the First Lien Credit Facility and the Third Lien Credit Facility.

On the First Lien Lenders sold and assigned all obligations under the First Lien Credit Facility and the Third Lien Credit Facility to Lion Capital and the Borrower permanently terminated the Revolver. Concurrently with the sale and assignment, Wilmington Trust, National Association was appointed as successor agent under the First and Third Lien Credit Agreement.

2. Retention of Advisors

In April and May 2021, the Company retained Klehr Harrison Harvey Branzburg LLP, as co-counsel, Portage Point Partners, LLC ("Portage") as investment bankers and restructuring advisors, and Kurtzman Carson Consultants LLC, as claims and noticing agent, to assist the Company with a review of all strategic alternatives, including a comprehensive balance sheet restructuring and bankruptcy filing. Kirkland & Ellis LLP was retained in connection with the 2019 Restructuring and continues to act as the Company's legal advisor in connection with the proposed restructuring.

3. Governance Initiatives

A&A Shareholding formed a restructuring committee (the "Restructuring Committee") in April 2021 comprised of Lawrence Meyer and Scott Burger, the Board's disinterested managers. Contemporaneously therewith, the Restructuring Committee retained Katten Muchin Rosenman LLP ("Katten") to provide independent legal counsel. The Restructuring Committee is vested with the authority to, among other things:

- explore such strategic and/or financial alternatives as the Restructuring Committee may determine to be advisable for the Company and its stakeholders;
- monitor and participate in negotiations for a restructuring transaction;
- consider and accept any restructuring transaction that is in the best interests of the Companies and their estates on behalf of the Board;
- negotiate and approve the filing of any pleadings related to the Company's chapter 11 cases, including a plan of reorganization;
- take any and all actions and approve any activities related to a restructuring transaction; and
- conduct an independent investigation with respect to any potential estate claims and causes of action against insiders of the Company, including any claims arising from the 2019 Restructuring (the "Investigation").

In furtherance of the Investigation, the Restructuring Committee has, to date, issued document and information requests to the Company, Ms. Rafaelian, and Lion Capital, reviewed over 3,000 pages of documents, and interviewed four Company employees and one representative of Lion Capital. The Restructuring Committee's investigation remains ongoing as of the Petition Date.

4. Settlement.

On June 9, 2021, Ms. Rafaelian and certain entities controlled by her (collectively, the "Rafaelian Entities"), the Company, Lion Capital, and the Purchaser entered into a settlement agreement (the "Settlement Agreement"), pursuant to which Lion Capital and the Rafaelian Entities will sell to Purchaser 35 percent of the first lien obligations under the First and Third Lien Credit Agreement and 35 percent of the second lien obligations under the Second Lien Credit Agreement, respectively, resolve certain outstanding litigation between the Company, Lion Capital, and the Rafaelian Entities, and provide releases of all other potential claims and causes of action. As a condition to the Settlement, the Rafaelian Entities and the Purchaser have signed the RSA and agreed to support the restructuring on the terms set forth therein.

The transactions contemplated by the Settlement, including the releases, are conditioned upon approval of the Settlement by the Court. As a result, the Company expects to file, within 14 days of the Petition Date, a motion seeking approval of the Settlement pursuant to rule 9019 of the Federal Rules of Bankruptcy Procedure (the "9019 Motion"). Approval of the Settlement and the 9019 Motion will reduce the potential of costly litigation at the outset of these cases. More specifically, Ms. Rafaelian, through A&A Pledge Co., has asserted that she has certain consent rights under A&A Shareholding's governing documents over certain corporate decisions, including the incurrence of any new indebtedness and any material sales or acquisitions. In exchange for the releases granted under the Settlement and the consideration received for the Second Lien Credit Facility claims, however, Ms. Rafaelian has agreed to support the transactions contemplated by the RSA, subject to the terms thereof, thus avoiding any dispute over these consent rights. Thus, the Company believes that approval of the Settlement and 9019 Motion is in the best interests of the Company and all of its stakeholders, and will allow the Company and its advisors to focus on implementing the transactions set forth in the RSA on a fully consensual basis and maximizing the value of the Company through the proposed sale and marketing process without the need for litigation.

5. The Restructuring Support Agreement

The Company entered into the RSA with 100 percent of its lenders and equity owners on June 9, 2021 (collectively, the "Support Parties"). The RSA provides a commitment from the Support Parties to provide access to cash collateral and backstop a thorough marketing process of the Company's assets through either an equitization or credit bidding of their secured debt claims. The Support Parties' support for the transactions set forth in the RSA is conditioned on, among other things, proceeding efficiently through chapter 11 in accordance with the following timeline:

- entry of an interim order approving the use of Cash Collateral (the "Interim Cash Collateral Order") within five days of the Petition Date;
- contacting potential Sale Transaction counterparties and initiating reciprocal due diligence processes within seven days of the Petition Date;
- occurrence of the Initial Bid Deadline (as defined in the Bidding Procedures Order) within 28 days of the Petition Date;
- the Court holding a hearing regarding entry of orders approving the disclosure statement (the "Disclosure Statement Order"), the procedures governing the Sale Transaction (the "Bidding Procedures Order"), and the use of cash collateral on the a final basis (the "Final Cash Collateral Order") within 40 days of the Petition Date;
- entry of the Disclosure Statement Order, Bidding Procedures Order, and the Final Cash Collateral Order within 42 days of the Petition Date;
- occurrence of the Final Bid Deadline (as defined in the Bidding Procedures Order) within 60 days of the Petition Date;
- holding an auction pursuant to the Bidding Procedures Order within 67 days of the Petition Date;

- the Court holding a hearing regarding entry of an order confirming the plan of reorganization (the "Confirmation Order") or approving the Sale Transaction (the "Sale Order"), as applicable, within 78 days of the Petition Date;

- entry of the Confirmation Order or the Sale Order, as applicable, within 80 days of the Petition Date; and

- occurrence of the plan of reorganization's effective date within 95 days of the Petition Date.

The RSA also conditions the Company's use of cash collateral on the Company providing certain forms of adequate protection, including the grant of adequate protection liens and superpriority claims to all secured lenders and the postpetition accrual of interest on the first lien obligations under the First and Third Lien Credit Agreement. These protections and the Company's use of cash collateral are an integral component of the RSA and essential to the Company's successful restructuring. As further discussed in the *Declaration of Ryan Mersch in Support of the Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Use Cash Collateral, (II) Granting Adequate Protection, (III) Modifying the Automatic Stay, and (IV) Granting Related Relief*, without access to cash collateral, the Company would lack the liquidity to operate and fund these chapter 11 cases, effectively forcing a liquidation of its business.

6. The Marketing and Sale Process

The Company, with the assistance of Portage, commenced the marketing and sale process concurrently with the filing of these chapter 11 cases. The Company and Portage reached out to approximately 165 prospective interested parties, consisting of both strategic and financial investors, whom they believe may be interested in, and whom the Debtors reasonably believe would have the financial resources to consummate, a sale. To ensure a thorough and competitive sale process on an appropriate timeline, the Company will continue marketing and soliciting bids postpetition in accordance with the proposed Bidding Procedures contained in the Bidding Procedures Motion. The proposed Bidding Procedures complement the RSA by ensuring that the Company conducts a timely and efficient sale and marketing process, while still creating the opportunity for the Company to solicit the highest value for its stakeholders.

IX. EVENTS OF THE CHAPTER 11 CASES

A. Corporate Structure upon Emergence

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

B. Expected Timetable of the Chapter 11 Cases

The Debtors expect the Chapter 11 Cases to proceed quickly, consistent with the milestones set forth in RSA, which is attached as **Exhibit A** to the *Declaration of Robert Trabucco, Chief Restructuring Officer of Alex and Ani, LLC, in Support of the Debtors' Chapter 11 Petitions and First Day Motions*, filed contemporaneously herewith (the "First Day Declaration"). Should the Debtors' projected timelines prove accurate, the Debtors could emerge from chapter 11 within approximately 95 days of the Petition Date. **No assurances can be made, however, that the Bankruptcy Court will enter various orders on the timetable anticipated by the Debtors.**

C. First Day Relief

On the Petition Date, along with their voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Petitions"), the Debtors filed several motions (the "First Day Motions") designed to facilitate the administration of the Chapter 11 Cases and minimize disruption to the Debtors' operations, by, among other things, easing the strain on the Debtors' relationships with employees, vendors, and customers following the commencement of the Chapter 11 Cases. A brief description of each of the First Day Motions and the evidence in support thereof is set forth in the *First Day Declaration*, filed on the Petition Date. Significantly, pursuant to the First Day Motions, the Debtors sought the authority to pay the Claims of a number of their vendors in full, in the regular course of business.

The First Day Motions, and all proposed orders for relief in the Chapter 11 Cases, can be viewed free of charge at https://www.kccllc.net/alexandani.

D. Approval of the Use of Cash Collateral

Based on the Debtors' need for use of cash collateral and their conclusion that the consent to use cash collateral as set forth in the Interim Cash Collateral Order and Final Cash Collateral Order represents the best terms available, on the Petition Date, the Debtors filed a motion on the Petition Date seeking authorization to use cash collateral on an interim and final basis (the "Cash Collateral Motion").

E. Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

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

As set forth in the *Debtors' Motion For Entry of an Order Approving the Rejection of Certain Unexpired Leases* (the "Lease Rejection Motion") and that was filed on the Petition Date, the Debtors are party to a large number of unexpired non-residential real property leases. Further, the Debtors are party to a substantial number of executory contracts. In connection with their restructuring efforts, the Debtors are attempting to enhance the competitiveness of their operations, which, among other things, involves a careful and comprehensive evaluation of all aspects of the Debtors' leases and supply chain. The Debtors intend to utilize the tools afforded a chapter 11 debtor to achieve the necessary cost savings and operational effectiveness envisioned in their revised strategic business plan, including modifying or, in some cases eliminating, burdensome or underutilized agreements and leases.

As such, the Debtors are conducting a comprehensive analysis of their executory contracts and unexpired leases and have, and intend to continue to, engage in extensive discussions with contract and lease counterparties regarding the contributions such parties are making to the restructuring process and can make to the post-emergence businesses.

The Debtors intend to file the Schedule of Assumed Executory Contracts and Unexpired Leases and the Schedule of Rejected Executory Contracts and Unexpired Leases as part of the Plan Supplement.

If the Stand-Alone Restructuring is consummated, , on the Effective Date, except as otherwise provided in the Plan or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, all Executory Contracts and Unexpired Leases will be deemed assumed, without the need for any further notice to or action, order, or approval of the Bankruptcy Court, as of the Effective Date under section 365 of the Bankruptcy Code, and regardless of whether such Executory Contract or Unexpired Lease is identified on the Schedule of Assumed Executory Contracts and Unexpired Leases, unless such Executory Contract or Unexpired Lease: (1) was

previously assumed or rejected by the Debtors, pursuant to a Final Order of the Bankruptcy Court; (2) previously expired or terminated pursuant to its own terms or by agreement of the parties thereto; (3) is the subject of a motion to reject filed by the Debtors on or before the date of entry of the Confirmation Order; (4) contains a change of control or similar provision that would be triggered by the Restructuring Transactions (unless such provision has been irrevocably waived); or (5) is specifically designated as a contract or lease to be rejected on the Schedule of Rejected Executory Contracts and Unexpired Leases.

If the Sale Transaction is consummated, on the Effective Date, except as otherwise provided herein, each Executory Contract or Unexpired Lease, not previously assumed, assumed and assigned, or rejected will be deemed automatically rejected, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such Executory Contract or Unexpired Lease: (1) is assumed by the Debtors and assigned to the Purchaser pursuant to the Sale Transaction; (2) was previously rejected by the Debtors, pursuant to a Final Order of the Bankruptcy Court; (3) previously expired or terminated pursuant to its own terms or by agreement of the parties thereto; (4) is the subject of a motion to reject filed by the Debtors on or before the date of entry of the Confirmation Order; or (5) is specifically designated as a contract or lease to be rejected on the Schedule of Rejected Executory Contracts and Unexpired Leases.

Entry of the Confirmation Order by the Bankruptcy Court will, subject to and upon the occurrence of the Effective Date, constitute a Bankruptcy Order approving the assumptions or rejections of the Executory Contracts and Unexpired Leases assumed or rejected pursuant to the Plan. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date will be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order. Each Executory Contract and Unexpired Lease assumed pursuant to Article V of the Plan or by any order of the Bankruptcy Court, which has not been assigned to a third party prior to the Confirmation Date, will revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law. Notwithstanding anything to the contrary in the Plan, the Debtors or the Reorganized Debtors, as applicable, reserve the right to alter, amend, modify, or supplement the Schedule of Assumed Executory Contracts and Unexpired Leases and the Schedule of Rejected Executory Contracts and Unexpired Leases identified in Article V of the Plan and in the Plan Supplement (i) to add or remove any Executory Contract or Unexpired Lease to the Schedule of Assumed Executory Contracts and Unexpired Leases or the Schedule of Rejected Executory Contracts and Unexpired Leases at any time prior to the Effective Date, and (ii) to remove any Executory Contract or Unexpired Lease from the Schedule of Assumed Executory Contracts and Unexpired Leases or the Schedule of Rejected Executory Contracts and Unexpired Leases at any time through and including 45 days after the Effective Date. The Debtors or the Reorganized Debtors will provide notice of any amendments to the Schedule of Assumed Executory Contracts and Unexpired Leases and the Schedule of Rejected Executory Contracts and Unexpired Leases to the parties to the Executory Contracts or Unexpired Leases affected thereby.

2. Claims Based on Rejection of Executory Contracts or Unexpired Leases

Unless otherwise provided by a Final Order of the Bankruptcy Court, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, pursuant to the Plan or the Confirmation Order, if any, must be Filed with the Bankruptcy Court within 30 days after the later of (1) the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection, (2) the effective date of such rejection, or (3) the Effective Date. **Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and will not be enforceable against the Debtors or the Reorganized Debtors, the Estates, or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease will be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary.** All Allowed Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases will be classified as General Unsecured Claims.

3. Cure of Default for Assumed Executory Contracts and Unexpired Leases

Any monetary defaults under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in

Cash on the Effective Date, subject to the limitation described below, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (1) the amount of any payments to cure such a default, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (3) any other matter pertaining to assumption, the cure payments required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. At least seven (7) calendar days prior to the Voting Deadline, the Debtors will provide for notices of proposed assumption and proposed cure amounts to be sent to applicable third parties and for procedures for objecting thereto and resolution of disputes by the Bankruptcy Court. **Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related cure amount must be Filed, served, and actually received by the Debtors at least three days prior to the Confirmation Hearing.** Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or cure amount.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise will result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption. **Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed will be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court**.

In the event of an unresolved dispute regarding (1) the amount of any Cure Claim, (2) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or assumed and assigned, or (3) any other matter pertaining to assumption, assignment, or payments of any Cure Claims required by section 365(b)(1) of the Bankruptcy Code, such dispute will be resolved by a Final Order(s) of the Bankruptcy Court.

Assumption or assumption and assignment of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise, and the payment of the Cure Claim, will result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the date that the Debtors assume or assume and assign such Executory Contract or Unexpired Lease. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed or assumed and assigned will be deemed Disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court.

F. Schedules and Statements

The Debtors intend to file their Schedules on or before the current deadline of July 7, 2021.

G. Litigation Matters

In the ordinary course of business, the Debtors are parties to certain lawsuits, legal proceedings, collection proceedings, and claims arising out of their business operations. The Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims.

With certain exceptions, the filing of the Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Debtors that was or could have been commenced before the commencement of the Chapter 11 Cases. In addition, the Debtors' liability with respect to litigation stayed by the commencement of the Chapter 11 Cases generally is subject to discharge, settlement, and release upon confirmation of a plan under chapter 11, with certain exceptions. Therefore, certain litigation Claims against the Debtors may be subject to discharge in connection with the Chapter 11 Cases.

X. PROJECTED FINANCIAL INFORMATION

Attached hereto as **Exhibit D**[15] is a projected consolidated income statement, which includes consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "Financial Projections") for the period beginning 20[●] and continuing through 20[●]. The Financial Projections are based on an assumed Effective Date of [●] [●], 20[●]. To the extent that the Effective Date occurs before or after [●][●], 2021, recoveries on account of Allowed Claims could be impacted.

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

XI. RISK FACTORS

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

A. The Debtors Will Consider All Available Restructuring Alternatives if the Restructuring Transactions are not Implemented, and Such Alternatives May Result in Lower Recoveries for Holders of Claims Against and Interests in the Debtors.

If the Restructuring Transactions are not implemented, the Debtors will consider all other restructuring alternatives available at that time, which may include the filing of an alternative chapter 11 plan, conversion to chapter 7, or any other transaction that would maximize the value of the Debtors' estates. Any alternative restructuring proposal may be on terms less favorable to holders of Claims against and Interests in the Debtors than the terms of the Plan as described in this Disclosure Statement.

Any material delay in the confirmation of the Plan, or the Chapter 11 Cases, or the threat of rejection of the Plan by the Bankruptcy Court, would add substantial expense and uncertainty to the process.

The uncertainty surrounding a prolonged restructuring would also have other adverse effects on the Debtors. For example, it would also adversely affect:

- the Debtors' ability to raise additional capital;
- the Debtors' ability to retain key employees;
- the Debtors' liquidity;
- how the Debtors' business is viewed by regulators, investors, lenders, and credit ratings agencies; and
- the Debtors' enterprise value.

B. There Is a Risk of Termination of the Restructuring Support Agreement.

To the extent that events giving rise to termination of the RSA occur, the RSA may terminate prior to the Confirmation or Consummation of the Plan, which could result in the loss of support for the Plan by important creditor constituencies. Any such loss of support could adversely affect the Debtors' ability to confirm and consummate the Plan.

[15] The Debtors will file **Exhibit D** in advance of the objection deadline for this Disclosure Statement.

C. Bankruptcy Law Considerations

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

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

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

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

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

3. The Debtors May Fail to Satisfy Vote Requirements

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

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

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

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

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

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

5. Nonconsensual Confirmation

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class (as defined under section 1124 of the Bankruptcy Code) has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the bankruptcy court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired class(es). The Debtors believe that the Plan satisfies these requirements, and the Debtors may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation or Consummation of the Plan may result in, among other things, increased expenses relating to professional compensation.

6. Continued Risk Upon Confirmation

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

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

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

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

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

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

Except as otherwise provided in the Plan, the Debtors reserve the right to object to the amount or classification of any Claim under the Plan. The estimates set forth in this Disclosure Statement cannot be relied upon by any holder of a Claim where such Claim is subject to an objection. Any holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

9. Risk of Non-Occurrence of the Effective Date

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

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

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

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

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

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

D. Risks Related to Recoveries under the Plan

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

With respect to holders of Interests in the Reorganized Debtors, the Reorganized Debtors may not be able to achieve their projected financial results. The Financial Projections set forth in this Disclosure Statement represent the Debtors' management team's best estimate of the Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economies in general, and the particular industry segments in which the Debtors operate in particular, and other matters, many of which are beyond the control of the Debtors and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date that the Disclosure Statement is approved by the Court may affect the actual financial results of the Debtors' operations. These variations may be material and may adversely affect the ability of the Debtors to make payments with respect to indebtedness following the Effective Date. Because the actual results achieved throughout the periods covered by the projections may vary from the projected results, the projections should not be relied upon as an assurance of the actual results that will occur. Except with respect to the projections and except as otherwise specifically and expressly stated, the Disclosure Statement does not reflect any events that may occur subsequent to the date of the Disclosure Statement. Such events may have a material impact on the information contained in the Disclosure Statement. The Debtors do not intend to update the projections and, therefore, the projections will not reflect the impact of any subsequent events

not already accounted for in the assumptions underlying the projections. If the Debtors do not achieve their projected financial results, (a) the value of the New Common Equity may be negatively affected, (b) the Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date, and (c) the Debtors may be unable to service their debt obligations as they come due. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

2. The Plan Exchanges Senior Securities for Junior Securities

If the Plan is confirmed and consummated, certain holders of Claims will receive New Common Equity. Thus, in agreeing to the Plan, certain of such holders will be consenting to the exchange of their interests in senior debt for junior securities that will be subordinate to all future creditor claims.

3. A Liquid Trading Market for the New Common Equity

The Debtors make no assurance that a liquid trading market for the New Common Equity will develop. The liquidity of any market for the New Common Equity will depend, among other things, upon the number of holders of the New Common Equity, the Reorganized Debtors' financial performance, and the market for similar securities, none of which can be determined or predicted. Therefore, the Debtors cannot assure that an active trading market will develop or, if a market develops, what the liquidity or pricing characteristics of that market will be. The New Common Equity may also be subject to trading restrictions by the New Organizational Documents.

On the Effective Date, none of the New Common Equity will be registered under the Securities Act or the Securities Exchange Act or listed on a national securities exchange, Reorganized Alex and Ani will not be a reporting company under the Securities Exchange Act, Reorganized Alex and Ani will not be required to and will not file reports with the Securities and Exchange Commission or any other entity or party, and Reorganized Alex and Ani will not be required to file monthly operating reports with the Bankruptcy Court after the Effective Date. In order to prevent Reorganized Alex and Ani from becoming subject to the reporting requirements of the Securities Exchange Act, except in connection with a public offering, a separate agreement or the New Organizational Documents may impose certain trading restrictions, and the New Common Equity may be subject to certain transfer and other restrictions designed to maintain Reorganized Alex and Ani as a private, non-reporting company.

Notwithstanding the foregoing in this risk factor, from and after the Effective Date, Reorganized Alex and Ani will be required to provide (via separate agreement or in the New Organization Documents) to its shareholders audited annual and unaudited quarterly financial statements for such periods, with such statements being prepared in accordance with U.S. GAAP (for the avoidance of doubt, no SAS 100 review, compliance with any other requirement of Regulation S-X under the Securities Act or narrative disclosure required to be provided by reporting companies under the Securities Exchange Act in periodic or other reports (including, without limitation, a Management's Discussion and Analysis of Financial Condition and Results of Operations) is required in connection with the delivery of the required financial statements).

4. Certain Tax Implications of the Debtors' Bankruptcy

Holders of Allowed Claims should carefully review Article XV of this Disclosure Statement, "Certain United States Federal Income Tax Consequences of the Plan," for a description of certain tax implications of the Plan and the Chapter 11 Cases.

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

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

The Debtors' ability to make scheduled payments on, or refinance their debt obligations depends on the Debtors' financial condition and operating performance, which are subject to prevailing economic, industry, and competitive conditions and to certain financial, business, legislative, regulatory, and other factors beyond the Debtors'

control (including the factors discussed in Article XI., which begins on page 40 herein). The Debtors may be unable to maintain a level of cash flow from operating activities sufficient to permit the Debtors to pay the principal, premium, if any, and interest on their indebtedness.

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

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

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

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

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

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

4. Financial Results May Be Volatile and May Not Reflect Historical Trends

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

In addition, if the Debtors emerge from chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to the Debtors' operating plans pursuant to a plan of reorganization. The Debtors also may be required to adopt fresh start accounting, in which case their assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on the Debtors' consolidated balance sheets. The Debtors' financial results after the application of fresh start accounting also may be different from historical trends.

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

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

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

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

7. Certain Claims May Not Be Discharged and Could Have a Material Adverse Effect on the Debtors' Financial Condition and Results of Operations

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arise prior to the Debtors' filing a petition for reorganization under the Bankruptcy Code or before confirmation of the plan of reorganization (a) would be subject to compromise and/or treatment under the plan of reorganization and/or (b) would be discharged in accordance with the terms of the plan of reorganization. Any claims not ultimately discharged through a plan of reorganization could be asserted against the reorganized entity and may have an adverse effect on the Reorganized Debtors' financial condition and results of operations on a post-reorganization basis.

XII. SOLICITATION AND VOTING PROCEDURES

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

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

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

A. Holders of Claims Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all holders of claims and interests against a debtor are entitled to vote on a chapter 11 plan. The table in Article IV.C of this Disclosure Statement, which begins on page 10 hereof, provides a summary of the status and voting rights of each Class (and, therefore, of each holder within such Class absent an objection to the holder's Claim or Interest) under the Plan.

As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from holders of Claims in Classes 3, 4, and 5 (the "Voting Classes"). The holders of Claims in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, holders of Claims in the Voting Classes have the right to vote to accept or reject the Plan.

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

B. Voting Record Date

The Voting Record Date is [●] [●], 2021.[16] The Voting Record Date is the date on which it will be determined which holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee or transferee, as applicable, can vote to accept or reject the Plan as the holder of a Claim.

C. Voting on the Plan

T**he Voting Deadline is [●] [●], 2021, at 5:00 p.m.** prevailing Eastern Time; *provided*, *however*, that the Voting Deadline with respect to an Executory Contract or Unexpired Lease that is included on a Schedule of Assumed Executory Contracts and Unexpired Leases filed in advance of [●][●], 2021, but is added to the Schedule of Rejected Executory Contracts and Unexpired Leases after [●] [●], 2021, will be [●] [●], 2021, the date of the Confirmation Hearing. In order to be counted as votes to accept or reject the Plan, all ballots must be properly executed, completed, and delivered in accordance with the instructions on your ballot so that the ballots are **actually received** by the Debtors' voting and claims agent (the "Voting and Claims Agent") on or before the Voting Deadline:

D. Ballots Not Counted

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

[16] The Voting Record Date for holders of Secured Credit Facility Claims will be the date that is seven (7) Business Days following entry of an order approving the Settlement.

or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE CONTACT THE VOTING AND CLAIMS AGENT TOLL-FREE (844) 205-7495. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE SOLICITATION ORDER WILL NOT BE COUNTED.

XIII. CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan

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

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

B. Best Interests of Creditors/Liquidation Analysis

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

Attached hereto as **Exhibit F**[17] and incorporated herein by reference is a liquidation analysis (the "Liquidation Analysis") prepared by the Debtors with the assistance of Portage, the Debtors' financial advisor. As reflected in the Liquidation Analysis, the Debtors believe that liquidation of the Debtors' businesses under chapter 7 of the Bankruptcy Code would result in substantial diminution in the value to be realized by holders of Claims as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to holders of Claims than would a liquidation under chapter 7 of the Bankruptcy Code.

If the Plan is not confirmed, and the Debtors fail to propose and confirm an alternative plan of reorganization, the Debtors' businesses may be liquidated pursuant to the provisions of a chapter 11 liquidating plan. In liquidations under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation may result in larger recoveries than a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Any distribution to holders of Claims under a chapter 11 liquidation plan would most likely be substantially delayed. Most importantly, the Debtors believe that any distributions to creditors in a chapter 11 liquidation scenario would fail to capture the significant going concern value of their businesses, which is reflected in the New Common Equity to be distributed under the Plan. Accordingly, the Debtors believe that a chapter 11 liquidation would not result in distributions as favorable as those under the Plan.

[17] The Debtors will file **Exhibit F** in advance of the objection deadline for this Disclosure Statement.

C. Feasibility

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

To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Financial Projections. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following their emergence from chapter 11 and that the Plan will meet the feasibility requirements of the Bankruptcy Code. The Financial Projections are attached hereto as **Exhibit D**[18] and incorporated herein by reference.

D. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[19]

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

E. Confirmation Without Acceptance by All Impaired Classes

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

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

1. No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a plan. The test does not require that the treatment be the same or equivalent, but that treatment be "fair." In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of classes of claims of equal rank (*e.g.*, classes of the same legal character). Bankruptcy courts will take into account

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[18] The Debtors will file **Exhibit D** in advance of the objection deadline for this Disclosure Statement.

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

a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

2. Fair and Equitable Test

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

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

F. Valuation of the Debtors

In conjunction with formulating the Plan and satisfying its obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-Confirmation going concern value of the Debtors. The Valuation Analysis is set forth in **Exhibit E**[20] attached hereto and incorporated herein by reference.

XIV. CERTAIN SECURITIES LAW MATTERS

The issuance of, and the distribution under, the Plan of the New Common Equity will be exempt from registration under the Securities Act and any other applicable securities laws pursuant to section 1145 of the Bankruptcy Code.

A. Section 1145 of the Bankruptcy Code Exemption and Subsequent Transfers

Section 1145(a)(1) of the Bankruptcy Code exempts the offer or sale of securities under a plan of reorganization from registration under Section 5 of the Securities Act and state laws if three principal requirements are satisfied: (a) the securities must be issued "under a plan" of reorganization by the debtor or its successor under a plan or by an affiliate participating in a joint plan of reorganization with the debtor; (b) the recipients of the securities must hold a claim against, an interest in, or a claim for administrative expenses in the case concerning the debtor or such affiliate; and (c) the securities must be issued in exchange for the recipient's claim against or interest in the debtor, or such affiliate, or "principally" in such exchange and "partly" for cash or property. In reliance upon this exemption, the Debtors believe that the offer and sale, under the Plan, of the New Common Equity will be exempt from registration under the Securities Act and state securities laws with respect to any holder of Allowed Claims who is not deemed to be an "underwriter" as defined in section 1145(b) of the Bankruptcy Code.

In addition, the Debtors will seek to obtain, as part of the Confirmation Order, a provision confirming such exemption. Accordingly, subject to compliance with the New Organizational Documents, such securities generally may be resold: (a) without registration under the Securities Act or other federal securities laws pursuant to an exemption provided by Section 4(a)(1) of the Securities Act, unless the holder is an "underwriter" (see discussion below) with respect to such securities, as that term is defined under the Bankruptcy Code; and (b) without registration under state securities or Blue Sky laws pursuant to various exemptions provided by the respective laws of the several states. However, recipients of securities issued under the Plan are advised to consult with their own legal advisors as to the availability of any such exemption from registration under state law in any given instance and as to any applicable requirement or conditions to such availability.

[20] The Debtors will file **Exhibit E** in advance of the objection deadline for this Disclosure Statement.

Section 1145(b) of the Bankruptcy Code defines "**underwriter**" as one who, except with respect to ordinary trading transactions, (a) purchases a claim with a view to distribution of any security to be received in exchange for the claim, (b) offers to sell securities issued under a plan for the holders of such securities, (c) offers to buy securities issued under a plan from persons receiving such securities, if the offer to buy is made with a view to distribution or is an issuer, as used in Section 2(a)(11) of the Securities Act, with respect to such securities, which includes control persons of the issuer.

"***Control***," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. The legislative history of Section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent (10%) or more of a class of voting securities of a reorganized debtor may be presumed to be a "**controlling person**" and, therefore, an underwriter.

To the extent that persons deemed to be "underwriters" receive New Common Equity pursuant to the Plan, resales by such persons would not be exempted by Section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Such persons would not be permitted to resell such Plan Securities, unless such securities were registered under the Securities Act or an exemption from such registration requirements were available. Entities deemed to be statutory underwriters for purposes of Section 1145 of the Bankruptcy Code may, however, be able, at a future time and under certain conditions, to sell securities without registration pursuant to the resale provisions of Rule 144 under the Securities Act or another available exemption under the Securities Act.

The issuer of the New Common Equity will not be required to file periodic reports under the Securities Exchange Act or seek to list the New Common Equity for trading on a national securities exchange. Consequently, there may not be "current public information" (as such term is defined in Rule 144) regarding the issuer of the New Common Equity.

Whether or not any particular person would be deemed to be an "underwriter" with respect to the New Common Equity to be issued pursuant to the Plan, or an "affiliate" of the issuer of the New Common Equity would depend upon various facts and circumstances applicable to that person. Accordingly, we express no view as to whether any such person would be such an "underwriter" or "affiliate."

PERSONS WHO RECEIVE NEW COMMON EQUITY UNDER THE PLAN ARE URGED TO CONSULT THEIR OWN LEGAL ADVISOR WITH RESPECT TO THE RESTRICTIONS APPLICABLE UNDER THE SECURITIES LAWS AND THE CIRCUMSTANCES UNDER WHICH SECURITIES MAY BE SOLD IN RELIANCE ON SUCH LAWS. THE FOREGOING SUMMARY DISCUSSION IS GENERAL IN NATURE AND HAS BEEN INCLUDED IN THIS DISCLOSURE STATEMENT SOLELY FOR INFORMATIONAL PURPOSES. WE MAKE NO REPRESENTATIONS CONCERNING, AND DO NOT PROVIDE, ANY OPINIONS OR ADVICE WITH RESPECT TO THE NEW COMMON EQUITY OR THE BANKRUPTCY MATTERS DESCRIBED IN THIS DISCLOSURE STATEMENT. IN LIGHT OF THE UNCERTAINTY CONCERNING THE AVAILABILITY OF EXEMPTIONS FROM THE RELEVANT PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS, WE ENCOURAGE EACH PARTY-IN INTEREST TO CONSIDER CAREFULLY AND CONSULT WITH ITS OWN LEGAL ADVISORS WITH RESPECT TO ALL SUCH MATTERS. BECAUSE OF THE COMPLEX, SUBJECTIVE NATURE OF THE QUESTION OF WHETHER A PARTICULAR HOLDER MAY BE AN UNDERWRITER, WE MAKE NO REPRESENTATION CONCERNING THE ABILITY OF A PERSON TO DISPOSE OF THE NEW COMMON EQUITY.

XV. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction

The following discussion is a summary of certain U.S. federal income tax consequences of the consummation of the Plan to the Debtors, the Reorganized Debtors, and to certain holders of Claims (which solely for purposes of this discussion means the beneficial owners for U.S. federal income tax purposes) of certain Claims. The following summary does not address the U.S. federal income tax consequences to holders of Claims or Interests not entitled to vote to accept or reject the Plan. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the

"IRC"), the Treasury Regulations promulgated thereunder, judicial authorities, published administrative positions of the U.S. Internal Revenue Service (the "IRS"), and other applicable authorities, all as in effect on the date of this Disclosure Statement and all of which are subject to change or differing interpretations, possibly with retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the IRS as to any of the tax consequences of the Plan discussed below. The discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtors or to holders of Claims or Interests in light of their individual circumstances, nor does it address tax issues with respect to such holders that are subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, partnerships or other pass-through entities, subchapter S corporations, trusts, dealers and traders in securities, insurance companies, financial institutions, tax-exempt organizations, small business investment companies, persons who are related to the Debtors within the meaning of the IRC, persons using a mark-to-market method of accounting, holders of Claims who are themselves in bankruptcy, real estate investment trusts, expatriates or former long-term residents of the United States, and regulated investment companies and those holding, or who will hold, Claims or the New Common Equity as part of a hedge, straddle, conversion, or other integrated transaction). This discussion does not address any U.S. federal non-income (including estate or gift), state, local, or non-U.S. tax considerations, the Medicare tax imposed on certain net investment income or considerations under any applicable tax treaty. Furthermore, this discussion assumes that a holder of a Claim holds only Claims in a single Class and holds Claims as "capital assets" within the meaning of section 1221 of the IRC (generally, property held for investment). Moreover, this discussion does not address special considerations that may apply to persons who are both holders of Claims and holders of Interests (directly or indirectly). This summary also assumes that the various debt instruments and other arrangements to which the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form. Moreover, except to the extent specifically addressed herein, this discussion assumes that the "installment sale method" of reporting any gain that may be recognized by holders in respect of the transactions described herein does not apply and this discussion does not address the U.S. federal income tax consequences attributable to the installment sale method or open transaction reporting except to the extent specifically addressed herein.

For purposes of this discussion, a "U.S. Holder" is a holder that is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity validly treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over the trust's administration and one or more United States persons (within the meaning of section 7701(a)(30) of the IRC) has authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person (within the meaning of section 7701(a)(30) of the IRC). For purposes of this discussion, a "Non-U.S. Holder" is any holder that is not a U.S. Holder or a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) is a holder, the tax treatment of a partner (or other owner) generally will depend upon the status of the partner (or other owner) and the activities of the partner (or other owner) and the partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes). Partners of any partnership (or other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) that is a holder are urged to consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

The following discussion assumes that the Debtors will undertake the Restructuring Transactions currently contemplated by the Plan in accordance with the Plan and as further described herein and in the Plan. Holders of Claims are urged to consult their tax advisors regarding the tax consequences of the Restructuring Transactions.

THE FOLLOWING SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX

PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS FOR THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

B. Certain U.S. Federal Income Tax Consequences to the Debtors

1. Characterization of the Debtors

A and A Shareholding Co., LLC ("A and A Shareholding") is treated as a partnership for U.S. federal income tax purposes. [All of the direct and indirect wholly-owned subsidiaries of A and A Shareholding, including all of the other Debtors, are treated as entities disregarded as separate from Dream II for U.S. federal income tax purposes.[21]] Accordingly, the U.S. federal income tax consequences of the Restructuring Transactions will generally be borne by the equity holders of A and A Shareholding rather than the Debtors. For purposes of the following disclosure, references to A and A Shareholding are deemed to include references to subsidiaries of A and A Shareholding that are disregarded as separate from it for U.S. federal income tax purposes where applicable.

As a partnership or disregarded entity (as applicable), A and A Shareholding and its subsidiaries generally are not subject to U.S. federal income taxation. Instead, each existing equity holder of A and A Shareholding is required to report on its U.S. federal income tax return, and is subject to tax in respect of, its distributive share of each item of income, gain, loss, deduction and credit of such Debtors. Accordingly, except to the extent noted below, the U.S. federal income tax consequences of the Restructuring Transactions under the Plan generally will not be borne by the Debtors, and instead will be borne by the existing equity holders of A and A Shareholding.

2. Cancellation of Indebtedness and Reduction of Certain Tax Attributes

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

However, a taxpayer will not be required to include COD Income in gross income under certain statutory exceptions. In particular, COD Income is not includable in income (i) if the taxpayer is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding (the "Bankruptcy Exception") or (ii) if the taxpayer is insolvent (but only to the extent of the taxpayer's insolvency) (the "Insolvency Exception"). As a consequence of such exclusion, a taxpayer-debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to section 108 of the IRC. In general, tax attributes will be reduced in the following order: (a) net operating losses ("NOLs"); (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets (but not below the amount of liabilities to which the debtor remains subject); (f) passive activity loss and credit carryovers; and (g) foreign tax credits. Alternatively, a debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the IRC.

In connection with the Restructuring Transactions, the Debtors expect to realize COD Income. The exact amount of any COD Income that will be realized by the Debtors will not be determinable until the consummation of the Plan. Because the Plan provides that the holders of Allowed Class 3 Claims may receive their Pro Rata share of [[●] percent of the New Common Equity (subject to dilution by the Management Incentive Plan)], the amount of COD

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[21] A and A Shareholding owns an approximate 33.3% equity interest in GoLocalPDX, LLC, which is treated as a partnership for U.S. federal income tax purposes. The Claims discussed in this disclosure are not held with respect to GoLocalPDX, LLC and, as such, this discussion does not address the tax consequences of the Restructuring Transactions as they relate to GoLocalPDX, LLC.

Income may depend, among other things, on the fair market value of the New Common Equity. This value cannot be known with certainty until after the Plan is consummated.

As described above, because A and A Shareholding is a partnership for U.S. federal income tax purposes, such COD Income is generally expected to be allocated to the existing equity holders of A and A Shareholding. Under section 108(d)(6) of the IRC, the Bankruptcy Exception and the Insolvency Exception (and, in each case, related attribute reduction) are applied at the partner level rather than at the entity level and, thus, depend on whether the partner, i.e., each of the existing equity holders of A and A Shareholding to which the COD Income is allocated, is itself insolvent or in bankruptcy. The fact that the Debtors are insolvent and in bankruptcy is not relevant for that determination. For purposes of determining a holder's insolvency (measured immediately prior to the Effective Date), the holder would be treated as if it were individually liable for an amount of partnership debt equal to the amount of the COD Income allocated to the holder. To the extent any amount of COD Income is excludable by a holder by reason of the Insolvency Exception or the Bankruptcy Exception, the holder generally would be required to reduce certain tax attributes (such as net operating losses, tax credits, possibly tax basis in assets and passive losses) after the determination of its tax liability for the taxable year.

3. Characterization of Restructuring Transactions

The Debtors have not yet determined how the Restructuring Transactions will be structured. There are currently two anticipated alternatives contemplated by the Plan—the Stand-Alone Restructuring or the Sale Transaction, each as defined and described below. Unless otherwise noted, the discussion below applies only to U.S. Holders.

a. Stand-Alone Restructuring

If the Restructuring Transactions are effected pursuant to the Stand-Alone Restructuring, then on the Effective Date, all existing Interests in Alex & Ani will be automatically cancelled and Reorganized Alex and Ani will issue the New Common Equity to holders of Claims entitled to receive the New Common Equity pursuant to the Plan. In general, when the debt of a partnership is cancelled, its creditors are equitized, and existing equityholders' interests are cancelled, there is some uncertainty in the U.S. federal income tax treatment. It could be that holders of Claims are treated as contributing their claims to the existing partnership in a transaction governed by Section 721 of the IRC, potentially resulting in the allocation of certain items of taxable income, loss, gain, and deduction to equityholders whose interests are being cancelled. On the other hand, it could be the case that the existing partnership is deemed to transfer its assets to creditors in a taxable transaction, with a new partnership immediately being formed, in which case the tax consequences would generally be the same as a taxable disposition of the partnership's assets for an amount equal to their value (or, if the debt is nonrecourse debt for certain U.S. federal income tax purposes, for an amount equal to the adjusted issue price of the debt). The remainder of this disclosure assumes that if the Restructuring Transactions are effected pursuant to the Stand-Alone Restructuring, holders of Claims are treated as contributing their claims to the existing partnership in a transaction governed by Section 721 of the IRC.

b. Sale Transaction

If the Restructuring Transactions are effected pursuant to the Sale Transaction, the Debtors expect to effect the Restructuring Transactions through the sale of all or substantially all of the Debtors' assets (subject to any liabilities assumed by the winning bidder) to the winning bidder in a taxable exchange for the Sale Proceeds, following which the Debtors would distribute the Sale Proceeds Recovery to holders of Claims pursuant to the Plan. If the Sale Transaction is utilized, A and A Shareholding's items of income, gain, loss, or deduction arising from such taxable exchange would be allocated to holders of Interests in A and A Shareholding. For purposes of calculating the amount of income, gain, loss or deduction allocable to the holders of Interests in A and A Shareholding arising from such a sale, A and A Shareholding would recognize gain or loss equal to the amount of the Sale Proceeds, plus the amount of any liabilities assumed by the winning bidder in the sale, less A and A Shareholding's tax basis in the transferred assets. In addition, to the extent the winning bidder does not assume liabilities of the Debtors and the Sale Proceeds Recovery distributed to a holder of Claims is less than the amount of such holder's Claim, the cancellation of any remaining Claims against the Debtors may give rise to COD Income, as described above in Article XV.B., which COD Income would be allocated to holders of Interests in A and A Shareholding.

C. Certain U.S. Federal Income Tax Consequences to Certain U.S. Holders of Allowed Class 3 Claims, Allowed Class 4 Claims, and Allowed Class 5 Claims

The following discussion assumes that the Debtors will undertake the Restructuring Transactions currently contemplated by the Plan using one of the transaction structures described above in Article XV.B. U.S. Holders are urged to consult their tax advisors regarding the Restructuring Transactions' tax consequences to them.

1. U.S. Holders of Allowed Class 3 Claims

a. Stand-Alone Restructuring

If the Plan is implemented pursuant to the Stand-Alone Restructuring, the pursuant to the Plan, in exchange for full and final satisfaction, compromise, settlement, release, and discharge of their Claims, each holder of an Allowed Class 3 Claim will receive its Pro Rata share of [●] percent of the New Common Equity (subject to dilution by the Management Incentive Plan).

In such case, U.S. Holders of Allowed Class 3 Claims are expected to be treated as receiving their share of the New Common Equity in an exchange governed by section 721 of the IRC on which no gain or loss is realized (other than with respect to any amounts received that are attributable to accrued but untaxed interest). A U.S. Holder's initial aggregate tax basis in the New Common Equity should be equal to the sum of (i) the fair market value of the New Common Equity treated as received by such U.S. Holder in respect of accrued but untaxed interest (as discussed herein), (ii) such U.S. Holder's existing adjusted tax basis in the portion of its Claims treated as exchanged for New Common Equity (other than in respect of accrued but untaxed interest) and (iii) such U.S. Holder's allocable portion of liabilities of Reorganized Alex and Ani. A U.S. Holder's holding period of the New Common Equity should include the period that the U.S. Holder held the Claim, except to the extent such New Common Equity is treated as received in respect of accrued but untaxed interest, in which case the holding period would begin on the day following the Effective Date.

b. Sale Transaction

If the Restructuring Transactions are effected pursuant to the Sale Transaction, a U.S. Holder of an Allowed Class 3 Claim's exchange of its Allowed Class 3 Claim for its Pro Rata share of the Sale Proceeds Recovery will constitute a fully taxable exchange under section 1001 of the IRC. Accordingly, subject to the discussion of accrued interest and market discount below, each U.S. Holder of an Allowed Class 3 Claim would generally recognize gain or loss in the exchange in an amount equal to the difference between (i) the amount of cash received from its Pro Rata share of the Sale Proceeds Recovery and (ii) such U.S. Holder's adjusted tax basis in its Allowed Class 3 Claim. The character of such gain or loss that a U.S. Holder recognizes on receipt of its Pro Rata share of the Sale Proceeds Recovery as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the U.S. Holder, the nature of the Allowed Class 3 Claim in the U.S. Holder's hands, whether the Allowed Class 3 Claim constitutes a capital asset in the hands of the U.S. Holder, whether the Allowed Class 3 Claim was purchased at a discount, and whether, and to what extent, the U.S. Holder has previously claimed a bad debt deduction with respect to the Allowed Class 3 Claim, as applicable. If recognized gain is capital gain, such gain generally would be long-term capital gain if the U.S. Holder held the Allowed Class 3 Claim for more than one year at the time of the exchange. The deductibility of capital losses is subject to certain limitations, as discussed below.

2. U.S. Holders of Allowed Class 4 Claims

Pursuant to the Plan, each U.S. Holder of an Allowed Class 4 Claim will receive its Pro Rata share (not to exceed the amount of such holder's Allowed Go-Forward Vendor Claim) of [●]. A U.S. Holder of an Allowed Class 4 Claim will generally be treated as having exchanged its Allowed Class 4 Claim for its Pro Rata share of any such cash in an exchange governed by Section 1001 of the IRC on which taxable gain or loss is realized in an amount equal to the difference between (a) the sum of the cash received and (b) such U.S. Holder's adjusted basis, if any, in its Allowed Class 4 Claim. Any cash received in respect of accrued but unpaid interest will be taxed as set forth below. Subject to the discussions below, any such gain or loss should be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder held its Allowed Class 4 Claim for more than one year on the Effective Date.

Under current U.S. federal income tax law, certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income tax on long-term capital gains. The deductibility of capital losses is subject to limitation, as discussed below.

3. U.S. Holders of Allowed Class 5 Claims

Pursuant to the Plan, each U.S. Holder of an Allowed Class 5 Claim will receive its Pro Rata share (not to exceed the amount of such holder's Allowed General Unsecured Claim) of [●]. A U.S. Holder of an Allowed Class 5 Claim will generally be treated as having exchanged its Allowed Class 5 Claim for its Pro Rata share of any such cash in an exchange governed by Section 1001 of the IRC on which taxable gain or loss is realized in an amount equal to the difference between (a) the sum of the cash received and (b) such U.S. Holder's adjusted basis, if any, in its Allowed Class 5 Claim. Any cash received in respect of accrued but unpaid interest will be taxed as set forth below. Subject to the discussions below, any such gain or loss should be capital gain or loss and will generally be long-term capital gain or loss if the U.S. Holder held its Allowed Class 5 Claim for more than one year on the Effective Date. Under current U.S. federal income tax law, certain non-corporate U.S. Holders (including individuals) are eligible for preferential rates of U.S. federal income tax on long-term capital gains. The deductibility of capital losses is subject to limitation, as discussed below.

4. Accrued Interest

To the extent that any amount received by a U.S. Holder of a Claim under the Plan is attributable to accrued but untaxed interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the U.S. Holder as ordinary interest income (to the extent not already taken into income by the U.S. Holder). Conversely, a U.S. Holder of a Claim may be able to recognize a deductible loss to the extent that any accrued interest on the debt instruments constituting such claim was previously included in the holder's gross income but was not paid in full by the Debtors.

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

5. Market Discount

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

Any gain recognized by a U.S. Holder on the taxable disposition of an Allowed Claim (determined as described above) that was acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Claim was considered to be held by the U.S. Holder (unless the U.S. Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a tax-free transaction for other property, any market discount that

accrued on the Allowed Claims (i.e., up to the time of the exchange), but was not recognized by the U.S. Holder is carried over to the property received therefor, and any gain recognized on the subsequent sale, exchange, redemption, or other disposition of the property is treated as ordinary income to the extent of the accrued, but not recognized, market discount.

6. Limitations on Use of Capital Losses

A U.S. Holder of an Allowed Claim who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on its use of capital losses. For a non-corporate U.S. Holder, capital losses may be used to offset any capital gains (without regard to holding periods) plus ordinary income to the extent of the lesser of (a) $3,000 ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate U.S. Holder may carry over unused capital losses and apply them to capital gains and a portion of their ordinary income for an unlimited number of years. For corporate U.S. Holders, losses from the sale or exchange of capital assets may only be used to offset capital gains. A corporate U.S. Holder who has more capital losses than can be used in a tax year may be allowed to carry over the excess capital losses for use in succeeding tax years. Corporate U.S. Holders may only carry over unused capital losses for the five years following the capital loss year, but are allowed to carry back unused capital losses to the three years preceding the capital loss year.

7. [Distribution Reserve Accounts and Other Delayed Distributions

The Plan provides that certain distributions may be delayed while contingent, unliquidated, or disputed Claims are addressed. Pending the resolution of such Claims, a portion of the amounts or property to be received by holders of Claims or Interests may be deposited into the various Claim distribution accounts described in the Plan (including the Distribution Reserve Account). The Debtors expect that the property that is subject to delayed distribution will be subject to "disputed ownership fund" treatment under Treasury Regulations section 1.468B-9. Pursuant to such treatment, a separate federal income tax return will be filed with the IRS with respect to such accounts. Such accounts will be liable, as an entity, for taxes, including with respect to interest, if any, or appreciation in property between the Effective Date and date of distribution. Such taxes will be paid out of the assets of such accounts (and reductions will be made to amounts disbursed from such accounts to account for the need to pay such taxes).]

8. U.S. Federal Income Tax Consequences to U.S. Holders of Owning and Disposing of New Common Equity

Items of income, gain, loss, and deduction of Reorganized Alex and Ani will be allocated to U.S. Holders of the New Common Equity as provided in the New Organizational Documents. Each item generally will have the same character as if the U.S. Holder had realized the item directly. U.S. Holders will be required to report these items regardless of the extent to which, or whether, they receive cash distributions from Reorganized Alex and Ani for such taxable year, and thus may incur income tax liabilities in excess of any cash distributions from Reorganized Alex and Ani.

A U.S. Holder is allowed to deduct its allocable share of Reorganized Alex and Ani's losses (if any) only to the extent of such U.S. Holder's adjusted tax basis (discussed below) in the New Common Equity at the end of the taxable year in which the losses occur. In addition, various other limitations in the IRC may significantly limit a U.S. Holder's ability to deduct its allocable share of deductions and losses of Reorganized Alex and Ani against other income.

Reorganized Alex and Ani will provide each U.S. Holder with the necessary information to report its allocable share of Reorganized Alex and Ani's tax items for U.S. federal income tax purposes. However, no assurance can be given that Reorganized Alex and Ani will be able to provide such information prior to the initial due date of the U.S. Holder's U.S. federal income tax return and U.S. Holders may therefore be required to apply to the IRS for an extension of time to file their tax returns.

Reorganized Alex and Ani will determine how items will be reported on Reorganized Alex and Ani's U.S. federal income tax returns in accordance with the New Organizational Documents, and all U.S. Holders of New Common Equity will be required under the IRC to treat the items consistently on their own returns, unless they file a

statement with the IRS disclosing the inconsistency. In the event that Reorganized Alex and Ani's income tax returns are audited by the IRS, the tax treatment of Reorganized Alex and Ani's income, gain, loss, and deductions generally will be determined at the Reorganized Alex and Ani level in a single proceeding, rather than in individual audits of U.S. Holders of New Common Equity. Reorganized Alex and Ani's "partnership representative" will have considerable authority under the IRC and the New Organizational Documents to make decisions affecting the tax treatment and procedural rights of the U.S. Holders of New Common Equity.

A U.S. Holder of New Common Equity generally will not recognize gain or loss on the receipt of a distribution of cash or property from Reorganized Alex and Ani (provided that such U.S. Holder is not treated as exchanging such U.S. Holder's share of Reorganized Alex and Ani's "unrealized receivables" and/or certain "inventory items" (as those terms are defined in the IRC, and together, "ordinary income items") for other partnership property). A U.S. Holder, however, will recognize gain on the receipt of a distribution of cash and, in some cases, marketable securities, from Reorganized Alex and Ani (including any constructive distribution of money resulting from a reduction of the U.S. Holder's share of Reorganized Alex and Ani's indebtedness) to the extent such distribution or the fair market value of such marketable securities distributed exceeds such U.S. Holder's adjusted tax basis in the New Common Equity. Such distribution would be treated as gain from the sale or exchange of the New Common Equity, which is described below.

A U.S. Holder's adjusted tax basis in the New Common Equity generally will be equal to such U.S. Holder's initial tax basis, increased by the sum of (a) any additional capital contribution such U.S. Holder makes to Reorganized Alex and Ani; (b) the U.S. Holder's allocable share of the income of Reorganized Alex and Ani; and (c) increases in the U.S. Holder's allocable share of Reorganized Alex and Ani's indebtedness, and reduced, but not below zero, by the sum of (a) the U.S. Holder's allocable share of Reorganized Alex and Ani's losses, and (b) the amount of money or the adjusted tax basis of property distributed to such U.S. Holder, including constructive distributions of cash resulting from reductions in such U.S. Holder's allocable share of Reorganized Alex and Ani's indebtedness.

A sale of all or part of the New Common Equity will result in the recognition of gain or loss in an amount equal to the difference between the amount of the sales proceeds or distribution (including any constructive distribution) and such U.S. Holder's adjusted tax basis for the New Common Equity disposed of. Any gain or loss recognized with respect to such a sale generally will be treated as capital gain or loss, and will be long-term capital gain or loss if the New Common Equity has been held for more than one year, except to the extent (a) that the proceeds of the sale are attributable to a U.S. Holder's allocable share of certain of Reorganized Alex and Ani's ordinary income items and such proceeds exceed the U.S. Holder's adjusted tax basis attributable to such ordinary income items and (b) of previously allowed bad debt or ordinary loss deductions. A U.S. Holder's ability to deduct any loss recognized on the sale of the New Common Equity will depend on the U.S. Holder's own circumstances and may be restricted under the IRC.

D. Certain U.S. Federal Income Tax Consequences to Certain Non-U.S. Holders of Allowed Claims

The following discussion assumes that the Debtors will undertake the Restructuring Transactions currently contemplated by the Plan and includes only certain U.S. federal income tax consequences of the Plan to Non-U.S. Holders. The rules governing the U.S. federal income tax consequences to Non-U.S. Holders are complex. Each Non-U.S. Holder is urged to consult its tax advisor regarding the U.S. federal, state, local, non-U.S., and non-income tax consequences of the consummation of the Plan to such Non-U.S. Holder and the ownership and disposition of the New Common Equity.

1. Gain Recognition

Any gain realized by a Non-U.S. Holder on the exchange of its Claim generally will not be subject to U.S. federal income taxation unless (a) the Non-U.S. Holder is an individual who was present in the U.S. for 183 days or more during the taxable year in which the Restructuring Transactions occur and certain other conditions are met or (b) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the U.S. (and, if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the U.S.).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. in the same manner as a U.S. Holder (except that the Medicare tax would generally not apply). In order to claim an exemption from withholding tax, such Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such a Non-U.S. Holder is a corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments.

2. Accrued Interest

Subject to the discussion of backup withholding and FATCA below, any amount received by a U.S. Holder of a Claim under the Plan that is attributable to accrued but untaxed interest on the debt instruments constituting the surrendered Claim that is not effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder will qualify for the so-called "portfolio interest exemption" and, therefore, will not be subject to U.S. federal income tax or withholding, provided that:

- the Non-U.S. Holder does not own, actually or constructively, a 10% or greater interest in Alex & Ani within the meaning of Section 871(h)(3) of the IRC and Treasury Regulations thereunder;
- the Non-U.S. Holder is not a controlled foreign corporation related to Alex & Ani, actually or constructively through the ownership rules under Section 864(d)(4) of the IRC;
- the Non-U.S. Holder is not a bank that is receiving the interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- the beneficial owner gives Alex & Ani or Alex & Ani's paying agent an appropriate IRS Form W-8 (or suitable substitute or successor form or such other form as the IRS may prescribe) that has been properly completed and duly executed establishing its status as a Non-U.S. Holder.

If not all of these conditions are met, any amount received by a U.S. Holder of a Claim under the Plan that is attributable to accrued but untaxed interest that is not effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder will generally be subject to U.S. federal income tax and withholding at a 30% rate, unless an applicable income tax treaty reduces or eliminates such withholding and the Non-U.S. Holder claims the benefit of that treaty by providing an appropriate IRS Form W-8 (or a suitable substitute or successor form or such other form as the IRS may prescribe) that has been properly completed and duly executed.

If any amount received by a U.S. Holder of a Claim under the Plan that is attributable to accrued but untaxed interest is effectively connected with a U.S. trade or business carried on by the Non-U.S. Holder ("ECI"), the Non-U.S. Holder will be required to pay U.S. federal income tax on that interest on a net income basis generally in the same manner as a U.S. Holder (and the 30% withholding tax described above will not apply, provided the appropriate statement is provided to Alex & Ani or Alex & Ani's paying agent) unless an applicable income tax treaty provides otherwise. To claim an exemption from withholding, such non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or suitable substitute or successor form or such other form as the IRS may prescribe). If a Non-U.S. Holder is eligible for the benefits of any income tax treaty between the United States and its country of residence, any interest income that is ECI will be subject to U.S. federal income tax in the manner specified by the treaty if the Non-U.S. Holder claims the benefit of the treaty by providing an appropriate IRS Form W-8 (or a suitable substitute or successor form or such other form as the IRS may prescribe) that has been properly completed and duly executed. In addition, a corporate Non-U.S. Holder may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate, or, if applicable, a lower treaty rate, on its effectively connected earnings and profits attributable to such interest (subject to adjustments).

The certifications described above must be provided to the applicable withholding agent prior to the payment of any amount that is attributable to accrued but untaxed interest. Non-U.S. Holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced rate under an applicable income tax treaty, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders are urged to consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

3. U.S. Federal Income Tax Consequences to Non-U.S. Holders of Owning and Disposing of New Common Equity

Non-U.S. Holders treated as engaged in a U.S. trade or business are subject to U.S. federal income tax at the graduated rates applicable to U.S. persons on ECI. Non-U.S. Holders that are corporations may also be subject to a 30% branch profits tax on ECI. The 30% rate applicable to branch profits may be reduced or eliminated under the provisions of an applicable income tax treaty between the United States and the country in which the Non-U.S. Holder resides or is organized.

It is expected that Reorganized Alex and Ani's method of operation will result in a determination that Reorganized Alex and Ani is engaged in a U.S. trade or business with the result that some portion of Reorganized Alex and Ani's income is properly treated as ECI with respect to Non-U.S. Holders. If a Non-U.S. Holder were treated as being engaged in a U.S. trade or business in any year because of an investment in New Common Equity in such year, (i) the Non-U.S. Holder's share of Reorganized Alex and Ani's ECI will be subject to tax at regular U.S. federal income tax rates and, if the Non-U.S. Holder is a corporation for U.S. federal income tax purposes, may also be subject to U.S. branch profits tax, (ii) the gain on a disposition of the Non-U.S. Holder's interest in Reorganized Alex and Ani would be treated as ECI to the extent such gain is attributable to assets of Reorganized Alex and Ani that generate ECI (and the acquiror in such disposition would be required to withhold 10% of the amount realized by such Non-U.S. Holder on such disposition), (iii) the Non-U.S. Holder generally would be required to file a U.S. federal income tax return (even if no income allocated to the Non-U.S. Holder is ECI), and (iv) Reorganized Alex and Ani would be required to withhold U.S. federal income tax with respect to the Non-U.S. Holder's share of Reorganized Alex and Ani's income that is ECI. Furthermore, all or a portion of a Non-U.S. Holder's New Common Equity may be attributable to U.S. real property, in which case gain on sale or exchange of such New Common Equity could be treated for U.S federal income tax purposes as effectively connected income under the FIRPTA rules described below, even if Reorganized Alex and Ani were not otherwise treated as engaged in a U.S. trade or business, in which case such gains would be subject to U.S. federal income tax at regular rates applicable to U.S. persons and FIRPTA withholding (at a rate of 15%, as described below) by the transferee may apply to the total amount realized.

Non-U.S. Holders may have to supply certain beneficial ownership statements to Reorganized Alex and Ani (which would be available to the IRS) to obtain reductions in U.S. federal withholding tax on interest and to obtain benefits under U.S. income tax treaties, to the extent applicable.

In general, different rules from those described above apply in the case of Non-U.S. Holder subject to special treatment under U.S. federal income tax law, including a Non-U.S. Holder (i) who has an office or fixed place of business in the United States or is otherwise carrying on a U.S. trade or business; (ii) who is an individual present in the United States for 183 or more days or has a "tax home" in the United States for U.S. federal income tax purposes; or (iii) who is a former citizen or resident of the United States.

Non-U.S. Holders are urged to consult their tax advisors with regard to the U.S. federal income tax consequences to them of acquiring, holding and disposing of the New Common Equity, as well as the effects of state, local and non-U.S. tax laws, as well as eligibility for any reduced withholding benefits.

4. FIRPTA

Under the Foreign Investment in Real Property Tax Act ("FIRPTA"), gain on the disposition of certain investments in U.S. real property is subject to U.S. federal income tax in the hands of Non-U.S. Holders and treated as ECI that is subject to U.S. federal net income tax even if a Non-U.S. Holder is not otherwise engaged in a U.S. trade or business.

An interest in a partnership, such as Reorganized Alex and Ani, is treated as a United States real property interest ("USRPI") subject to the FIRPTA rules if 50% or more of the value of gross partnership assets consists of USRPIs and 90% or more of the value of the gross partnership assets consists of USRPIs plus cash and cash equivalents (the "50/90 Test"). It is unclear whether New Common Equity will qualify as a USRPI pursuant to the 50/90 Test. Even if New Common Equity did not qualify as a USRPI pursuant to the 50/90 Test, however, as described above, a Non-U.S. Holder's gain with respect to a sale of equity in an entity taxed as a partnership that is engaged in a U.S. trade or business will be treated as ECI to the extent it relates to the underlying U.S. trade or business.

As such, regardless of whether New Common Equity qualifies as a USRPI pursuant to the 50/90 Test, a disposition of assets by Reorganized Alex and Ani and its subsidiaries generally will subject a Non-U.S. Holder of Reorganized Alex and Ani to taxation as if the ECI rules discussed above applied (even if Reorganized Alex and Ani and its subsidiaries were not otherwise determined to be engaged in a U.S. trade or business), either because (a) such assets are USRPIs (in which event a Non-U.S. Holder would be subject to FIRPTA taxation on its distributive share of the partnership gain as if such holder had realized such gain directly from the disposition of the USRPI), or (b) because such assets are attributable to a U.S. trade or business (as described above), and in each case certain withholding requirements would also apply, as described above. Additionally, if New Common Equity did not qualify as a USRPI pursuant to the 50/90 Test, then, nevertheless, the disposition of interests in Reorganized Alex and Ani would be treated as a disposition of a proportionate share of any USRPIs owned by Reorganized Alex and Ani for purposes of substantive FIRPTA taxation as well as certain withholding requirements, and any such gain would be subject to U.S. income tax under the ECI rule noted above. Finally, if New Common Equity qualifies as a USRPI pursuant to the 50/90 Test, then substantive FIRPTA taxation and FIRPTA withholding requirements (at 15% of the amount realized) would apply to the entire amount realized.

5. FATCA

Under legislation commonly referred to as the Foreign Account Tax Compliance Act ("FATCA"), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account holders and investors or be subject to withholding at a rate of 30% on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S. source payments of fixed or determinable, annual or periodical income, and, subject to the paragraph immediately below, also include gross proceeds from the sale of any property of a type which can produce U.S. source interest or dividends. FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding.

FATCA withholding rules that would have applied to payments of gross proceeds from the sale or other disposition of property of a type that can produce U.S. source interest or dividends have effectively been suspended under proposed Treasury Regulations that may be relied on until final regulations become effective. Nonetheless, there can be no assurance that a similar rule will not go into effect in the future. Each Non-U.S. Holder is urged to consult its tax advisor regarding the possible impact of FATCA withholding rules on such Non-U.S. Holder.

6. Information Reporting and Backup Withholding

The Debtors and applicable withholding agents will withhold all amounts required by law to be withheld from payments of interest and dividends, whether in connection with distributions under the Plan or in connection with payments made on account of consideration received pursuant to the Plan, and will comply with all applicable information reporting requirements. The IRS may make the information returns reporting such interest and dividends and withholding available to the tax authorities in the country in which a Non-U.S. Holder is resident. In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a holder may be subject to backup withholding (currently at a rate of 24%) with respect to distributions or payments made pursuant to the Plan unless that holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact or (b) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding (generally in the form of a properly executed IRS Form W-9 for a U.S. Holder, and, for a Non-U.S. Holder, in the form of a properly executed applicable IRS Form W-8) or otherwise establishes such Non-U.S. Holder's eligibility for an exemption. Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; provided that the required information is timely provided to the IRS.

In addition, from an information reporting perspective, Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds. holders subject to the Plan are urged to consult their tax advisors regarding these regulations and whether the transactions contemplated by the Plan would be subject to these regulations and require disclosure on the holders' tax returns.

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

XVI. RECOMMENDATION

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

Dated: June 10, 2021

Respectfully submitted,

A AND A SHAREHOLDING CO., LLC,
on behalf of itself and each of the other Debtors

By: _____
Name: Robert Trabucco
Title: Chief Restructuring Officer

Exhibit A

Plan of Reorganization

Exhibit B

Corporate Structure Chart

ALEX AND ANI

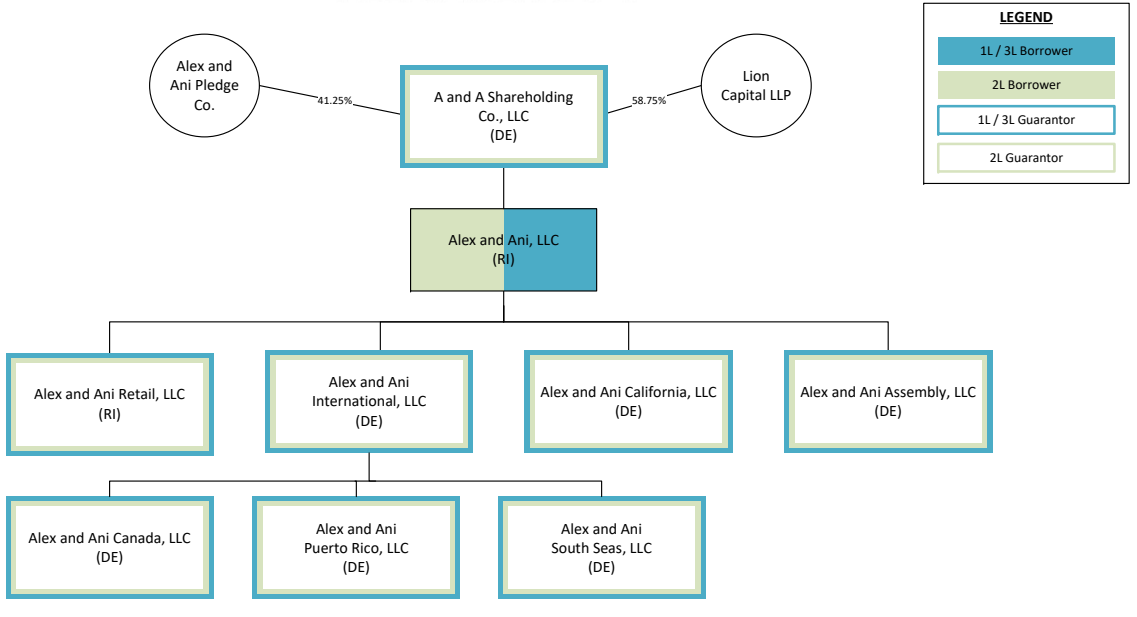
LEGEND
1L / 3L Borrower
2L Borrower
1L / 3L Guarantor
2L Guarantor
Alex and Ani Pledge Co.
41.25%
A and A Shareholding Co., LLC (DE)
58.75%
Lion Capital LLP
Alex and Ani, LLC (RI)
Alex and Ani Retail, LLC (RI)
Alex and Ani International, LLC (DE)
Alex and Ani California, LLC (DE)
Alex and Ani Assembly, LLC (DE)
Alex and Ani Canada, LLC (DE)
Alex and Ani Puerto Rico, LLC (DE)
Alex and Ani South Seas, LLC (DE)

Exhibit C

Disclosure Statement Order

Exhibit D

Financial Projections

Exhibit E

Valuation Analysis

Exhibit F

Liquidation Analysis