

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:)	Chapter 11
)	
PERFECT BROW ART, INC., <i>et al.</i>)	Case No. 19-01811
)	(Jointly Administered)
)	
Debtors. ¹)	Honorable Donald R. Cassling
)	
)	

**DISCLOSURE STATEMENT WITH
RESPECT TO THE JOINT CHAPTER 11 LIQUIDATING PLAN
OF DEBTORS AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

Dated: January 7, 2020

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¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: (i) Perfect Brow Art, Inc. (5731), (ii) Perfect Brow Florida, Inc. (5602), (iii) Perfect Brow Puerto Rico, Inc. (3497), (iv) Perfect Brow New York, Inc. (2041), (v) Locks Rock, Inc. (5046), (vi) P.B. Art Franchise, Inc. (0026), (vii) Perfect Brow Oakland, Inc. (5727), and (viii) Ooh La La Beauty Bar Franchise, Inc. (0714).

TABLE OF CONTENTS

I.	INTRODUCTION AND NARRATIVE DESCRIPTION OF THE JOINT CHAPTER 11 LIQUIDATING PLAN	1
A.	General Structure of the Plan.....	2
B.	Summary of Treatment of Claims and Interests under the Plan	2
II.	DISCLAIMER.....	6
III.	BRIEF HISTORY AND STRUCTURE OF DEBTOR.....	7
A.	Historical Overview	7
B.	Debtors' Organizational, Capital, and Debt Structure	8
C.	Events Leading to Chapter 11	8
IV.	THE ACTIVITIES IN THE CHAPTER 11 CASE	8
A.	The Chapter 11 Cases	8
B.	Chapter 11 Relief.....	9
V.	VOTING INSTRUCTIONS AND PROCEDURES AND CONFIRMATION HEARING	13
A.	Notice to Holders of Claims	13
B.	Solicitation Package.....	14
C.	Voting Procedures and Ballots and Voting Deadline	14
D.	Combined Hearing to Approve Disclosure Statement and Confirm Plan and Deadline for Objections to Disclosure Statement and Confirmation.....	15
VI.	SUMMARY OF THE PLAN	15
A.	Overview of Chapter 11	15
B.	Overview of the Joint Plan of Liquidation.....	16
VII.	RISK FACTORS TO BE CONSIDERED.....	25
A.	Failure to Satisfy Vote Requirement.....	25
B.	Non-Confirmation or Delay of Confirmation of the Plan.....	25

C.	Non-Consensual Confirmation	26
D.	Risk of Non-Occurrence of the Effective Date.....	26
E.	Classification and Treatment of Claims and Equity Interests.....	26
F.	Claim Objections and Reconciliations.....	26
G.	Recoveries from Estate Causes of Action.....	26
H.	Other Unliquidated Assets	27
VIII.	CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN...	27
IX.	STATUTORY REQUIREMENTS FOR CONFIRMATION, FEASIBILITY AND ACCEPTANCE OF THE PLAN, BEST INTERESTS TEST, AND CRAMDOWN	27
A.	Statutory Requirements for Confirmation of the Plan	27
B.	Feasibility of the Plan	28
C.	Acceptance of the Plan.....	28
D.	Best Interests Test.....	29
E.	Chapter 7 Liquidation Analysis	29
F.	Application of the Best Interests of Creditors Test to the Liquidation Analysis ..	30
G.	Confirmation Without Acceptance of All Impaired Classes: The ‘Cramdown’ Alternative.....	30
X.	ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN.....	31
XI.	MISCELLANEOUS PROVISIONS.....	32
A.	Attachments; Entire Agreement.....	32
B.	Plan Amendments	32
C.	Governing Law	32
D.	No Admissions.....	32
XII.	CONCLUSION AND RECOMMENDATION	33

I. INTRODUCTION AND NARRATIVE DESCRIPTION OF THE JOINT CHAPTER 11 LIQUIDATING PLAN

Perfect Brow Art, Inc. and its debtor affiliates, as debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the “Debtors”)¹ submit this disclosure statement (the “Disclosure Statement”) pursuant to section 1125 of the Bankruptcy Code, for use in the solicitation of votes on the Joint Chapter 11 Plan of Liquidation (the “Plan”) of Debtors and Official Committee of Unsecured Creditors (the “Committee”). Debtors and Committee are jointly proposing the Plan, which was filed with the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division (the “Bankruptcy Court”). A copy of the Plan is attached as Appendix A to this Disclosure Statement.

This Disclosure Statement sets forth certain information regarding Debtors’ prepetition operating and financial history, the need to seek chapter 11 protection, significant events that have occurred since this case, styled *In re Perfect Brow Art, Inc.*, Case No. 19-01811 and Debtors’ affiliated cases which are being jointly administered (together, the “Chapter 11 Cases”), which was commenced under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) on January 22, 2019 (the “Petition Date”), and the anticipated process for liquidation and distribution of Debtors’ remaining assets to creditors using a liquidating trust (the “Creditor Trust”). This Disclosure Statement also describes terms and provisions of the Plan, certain effects of Confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the Confirmation process and the voting procedures that Holders of Claims entitled to vote under the Plan must follow for their votes to be counted.

Under the Plan, a creditor trustee (the “Creditor Trustee”) will distribute certain Cash generated during the Chapter 11 Cases and the liquidation of remaining assets to Creditors in accordance with the priority scheme of the Bankruptcy Code.

DEBTORS AND COMMITTEE SUPPORT AND RECOMMEND ACCEPTANCE OF THE PLAN, AND URGE CREDITORS ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT IT.

Except as otherwise provided herein, capitalized terms used but not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Plan are given in United States dollars.

Additional information regarding the Chapter 11 Cases, including copies of the documents Filed in the Chapter 11 Cases and referenced herein, can be accessed free of charge at the following website maintained by Debtors’ claims and noticing agent: <https://case.stretto.com/perfectbrowart/docket>.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal taxpayer-identification number, are: (i) Perfect Brow Art, Inc. (5731), (ii) Perfect Brow Florida, Inc. (5602), (iii) Perfect Brow Puerto Rico, Inc. (3497), (iv) Perfect Brow New York, Inc. (2041), (v) Locks Rock, Inc. (5046), (vi) P.B. Art Franchise, Inc. (0026), (vii) Perfect Brow Oakland, Inc. (5727), and (viii) Ooh La La Beauty Bar Franchise, Inc. (0714).

A. General Structure of the Plan

The following overview is a general summary only, which is qualified in its entirety by, and should be read in conjunction with, the Plan itself and the more detailed discussions and information appearing elsewhere in this Disclosure Statement.

The Plan effectuates a distribution of the Assets of the Estates to creditors in accordance with the priorities set forth in the Bankruptcy Code. The Plan provides that Debtors' Assets, to the extent they have not already been liquidated, will be liquidated and the proceeds of the liquidation of the Assets will be utilized, pursuant to the terms of the Plan, to pay Allowed Claims and to fund the Creditor Trust and pay for its expenses.

More specifically, Debtors' remaining Assets (including, but not limited to, Cash, Estate Causes of Action, proceeds of insurance and insurance policies, all rights and interests, all personal property, and all net proceeds from the sale or disposition of Debtors' remaining assets) (collectively, the "Creditor Trust Assets"), will be substantively consolidated into Perfect Brow Art, Inc. and transferred to the Creditor Trust established under the Plan for the benefit of the Holders of Allowed Claims and managed by the Creditor Trustee. The Effective Date of the Plan will occur when all of the conditions to the Plan's effectiveness as set forth in Section VI.B of the Plan have been met or waived. Holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and holders of Allowed Class 1 and 2 Claims, to the extent they remain unpaid, shall be paid in full upon the Effective Date or as soon thereafter as is practicable.

The Creditor Trustee will take actions to liquidate and administer the remaining non-Cash Assets, including, among other things, investigating and, if determined to be appropriate, pursuing Estate Causes of Action. The Creditor Trustee will make Distributions to creditors pursuant to the terms of the Plan and prior orders of the Bankruptcy Court. Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Priority Claims will be paid in full. Holders of Allowed General Unsecured Claims will receive a Pro Rata portion of remaining Cash in accordance with the Creditor Trust Agreement and the Plan, but Distributions will not be made on account of Intercompany Claims or Interests, and such claims and interests shall be canceled and extinguished as of the Effective Date.

B. Summary of Treatment of Claims and Interests under the Plan

1. Overview of Treatment

As contemplated by section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims are not classified under the Plan. Administrative Claims and Priority Tax Claims will be paid in full as soon as practicable following the Effective Date of the Plan or when such Claims become Allowed Claims. The range of estimated Administrative Claims is \$170,000 to \$300,000 (exclusive of professional fee administrative claims) and Priority Tax Claims are currently estimated to be \$0².

² Debtors believe there should not be any allowed Priority Claims after the claims objection process and the elimination of duplicate claims, late filed claims, superseded claims, disputed claims, and other claims deemed not allowable, based on Debtors' current books and records, and Debtors dispute any Proofs of Claim asserting a Priority Claim. However, certain Proofs of Claim have been filed that assert priority claims. Allowance of any Priority Claim in a material amount could affect the distributions described herein. Debtors, Committee and Creditor Trustee reserve all rights to object to any Priority Claim, on all available grounds.

Subject to the allowance procedures and deadlines provided in the Plan, the Creditor Trustee will pay to each Holder of an Allowed Administrative Expense Claim, on account of the Allowed Administrative Expense Claim, and in full satisfaction thereof, Cash equal to the amount of such Allowed Administrative Expense Claim, unless the Holder agrees to other treatment. Except as otherwise provided in the Plan or in a prior order of the Bankruptcy Court: (i) payment of an Administrative Expense Claim that is an Allowed Claim as of the Effective Date will be made on the later of the Effective Date or the date such payment would have become due for payment of such Allowed Administrative Expense Claim in the absence of the Chapter 11 Cases, whether pursuant to contract or applicable non-bankruptcy law; and (ii) payment of an Administrative Expense Claim that becomes an Allowed Claim following the Effective Date must be made on or before the date that is 30 days after an order deeming such Administrative Expense Claim an Allowed Claim becomes a Final Order.

All Persons requesting payment of Administrative Expense Claims, including, without limitation, Claims under § 503(b)(9) of the Bankruptcy Code, must File a request for payment of Administrative Expense Claims with the Bankruptcy Court no later than the Administrative Expense Bar Date, which will be 30 days after the Effective Date.

The Administrative Expense Bar Date will not apply to Professionals requesting payment of Professional Fee Claims, who will be entitled to File an application for allowance of such Professional Fee Claims no later than 60 days after the Effective Date. The Administrative Expense Bar Date will also not apply to U.S. Trustee fees.

Based on current levels of Cash and Debtors' financial projections, Debtors anticipate having approximately \$1,826,000 of Cash as of the Effective Date (which is anticipated to be at or near March 31, 2020). This amount of Cash is more than sufficient to satisfy all of Debtors' Allowed Administrative Claims and Allowed Priority Tax Claims, in addition to Allowed Class 1 Priority Claims. Furthermore, Debtors believe that this amount of Cash will also be sufficient to: (a) pay the Creditor Trustee's Expenses; (b) create a reserve for Disputed Claims in case they become Allowed Claims; and (c) make an initial Distribution to Holders of Allowed Class 2 General Unsecured Claims.

The table below summarizes the classification and treatment of the prepetition Claims and Interests under the Plan. For certain classes of Claims and Interests, estimated percentage recoveries are also set forth below. Estimated percentage recoveries have been calculated based upon a number of assumptions, including the dollar amount of Claims in a particular Class. The Creditor Trustee, upon the establishment of the Creditor Trust pursuant to the Plan, the Creditor Trust Agreement and the Confirmation Order, shall have the right to dispute the validity, priority or amount of any Claim that has not already been Allowed by the Bankruptcy Court or otherwise by agreement. Accordingly, no representation can be, or is being, made with respect to the accuracy of the amounts of the estimated Claims pool in each Class or the estimated recoveries that will actually be realized by the Holders of Allowed Claims in each Class.

Debtors and Committee have not completed their investigation regarding the Claims in the Chapter 11 Cases and the filing of objections to Claims. This investigation is ongoing and will likely be completed by the Creditor Trustee after the Confirmation Date. As a result, Holders of Claims and other parties-in-interest are hereby advised that an objection to a Disputed Claim may be Filed at any time. The Creditor Trustee shall have the right to object to amounts that have been scheduled by Debtors or that are reflected in Debtors' books and records, and which are found to be objectionable in any respect.

2. Classification and Treatment of Claims Against and Interests in Debtors

Description and Amount of Claims or Interests	Summary of Treatment
<p>Class 1 Priority Claims</p> <p>Class 1 consists of all Claims, other than Administrative Claims or Priority Tax Claims, that are entitled to priority in payment pursuant to sections 507(a) of the Bankruptcy Code.</p> <p>Estimated Claims Pool: \$0.00³</p> <p>Expected Recovery: 100%</p>	<p>Class 1 is Unimpaired by the Plan.</p> <p>Each Holder of an Allowed Class 1 Claim is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.</p> <p>Allowed Class 1 Priority Claims are Unimpaired by the Plan and will be paid by the Creditor Trustee in order of the priorities set forth in § 507 of the Bankruptcy Code in full in Cash as soon as practicable following the later of: (i) the Effective Date and (ii) the date such Class 1 Priority Claim becomes an Allowed Claim (or otherwise as permitted by law); provided, however, that any Person holding a Class 1 Priority Claim may be treated on such less favorable terms as may be agreed to in writing by such Person.</p>

³ Debtors believe there should not be any allowed Priority Claims after the claims objection process and the elimination of duplicate claims, late filed claims, superseded claims, disputed claims, and other claims deemed not allowable, based on Debtors' current books and records, and Debtors dispute any Proofs of Claim asserting a Priority Claim. However, certain Proofs of Claim have been filed that assert priority claims. Allowance of any Priority Claim in a material amount could affect the distributions described herein. Debtors, Committee and Creditor Trustee reserve all rights to object to any Priority Claim, on all available grounds.

Description and Amount of Claims or Interests	Summary of Treatment
<p>Class 2 General Unsecured Claims</p> <p>Class 2 consists of all Claims that are not Administrative Claims, Priority Tax Claims, Priority Claims, or Intercompany Claims</p> <p>Estimated Claims Pool: \$6,188,000 to \$6,688,000⁴</p> <p>Expected Recovery: 19.5% - 33.0%</p>	<p>Class 2 is Impaired by the Plan.</p> <p>Each Holder of an Allowed Class 2 Claim is entitled to vote to accept or reject the Plan.</p> <p>Holders of Allowed Class 2 Claims shall be paid Pro Rata in accordance with the Creditor Trust Agreement and this Plan. In accordance with the Creditor Trust Agreement, all property of the Estate shall be deposited in the Creditor Trust no later than the Effective Date. The Creditor Trustee shall liquidate the Creditor Trust Assets, and after making an initial Distribution, shall distribute the Net Proceeds from time to time on dates determined by the Creditor Trustee, following consultation with the Oversight Committee, within a reasonable time after the creation of appropriate reserves as determined by the Creditor Trustee in an amount that would be sufficient to: (i) satisfy all Administrative Claims in full; (ii) satisfy all Priority Tax Claims and Priority Claims in full; (iii) pay the Trustee's Expenses in full; and (iv) make a Pro Rata Distribution on account of Disputed Claims that are Class 2 General Unsecured Claims.</p>
<p>Class 3 Intercompany Claims</p> <p>Class 3 consists of Intercompany Claims.</p> <p>Recovery: 0%</p>	<p>Class 3 is impaired by the Plan.</p> <p>Each Holder of a Class 3 Claim is deemed to have rejected the Plan pursuant to section 1126 (g) of the Bankruptcy Code.</p> <p>Holders of Class 3 Intercompany Claims will not receive a Distribution under the Plan, and their Claims shall be extinguished as of the Effective Date.</p>

⁴ This amount reflects Debtors' best estimate of the total amount of General Unsecured Claims that will remain after the claims objection process to eliminate duplicate claims, late filed claims, superseded claims, and other claims deemed not allowable. Debtors, Committee and Creditor Trustee reserve all rights to object to any General Unsecured Claim on all available grounds.

Description and Amount of Claims or Interests	Summary of Treatment
Class 4 Interests Class 4 consists of all Interests in Debtors. Recovery: 0%	Class 4 is Impaired by the Plan. Each Holder of a Class 4 Interest is deemed to have rejected the Plan pursuant to section 1126 (g) of the Bankruptcy Code. Holders of Class 4 Interests will not receive a Distribution under the Plan, and their Interests shall be canceled and extinguished after the Effective Date.

II. DISCLAIMER

On or before _____, 2020, after notice and a hearing, the Bankruptcy Court entered an order approving conditionally approving this Disclosure Statement (the “Disclosure Statement Order”) as containing adequate information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of Debtors’ Creditors and Interest Holders to make an informed judgment whether to accept or reject the Plan. THE BANKRUPTCY COURT’S CONDITIONAL APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION AS TO THE FAIRNESS OR MERITS OF THE PLAN. DEBTORS PREPARED THIS DISCLOSURE STATEMENT IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE, RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AND RULE 3018-2 OF THE LOCAL RULES FOR THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF ILLINOIS.

The Disclosure Statement Order sets forth deadlines for voting to accept or reject the Plan and procedures to be followed to object to Confirmation of the Plan. A Ballot for the acceptance or rejection of the Plan is enclosed with each Disclosure Statement submitted to a Holder of a Claim that is entitled to vote to accept or reject the Plan. The Ballot includes certain instructions for voting and the record date for voting purposes. **THE BANKRUPTCY COURT HAS SCHEDULED A HEARING ON _____, 2020, AT _____ .M. (CENTRAL STANDARD TIME) TO CONSIDER WHETHER TO APPROVE THIS DISCLOSURE STATEMENT AND CONFIRM THE PLAN.**

This Disclosure Statement describes certain aspects of the Plan, Debtors’ operations, pending litigation, the proposed formation of a creditor trust and other related matters. FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, THE CREDITOR TRUST AGREEMENT, AND THE EXHIBITS, APPENDICES, AND SCHEDULES THERETO IN THEIR ENTIRETY. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN, THE CREDITOR TRUST AGREEMENT AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL CONTROL, WITH THE TERMS OF THE CREDITOR TRUST AGREEMENT CONTROLLING DISPUTES, IF ANY, BETWEEN THE CREDITOR TRUST AGREEMENT AND THIS DISCLOSURE STATEMENT.

NO PERSON IS AUTHORIZED BY DEBTORS OR COMMITTEE, IN CONNECTION WITH THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN, TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THIS

DISCLOSURE STATEMENT OR THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS, APPENDICES, AND SCHEDULES ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY DEBTORS OR COMMITTEE.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. ANY CREDITOR DESIRING ANY SUCH ADVICE OR ANY OTHER ADVICE SHOULD CONSULT WITH ITS OWN ADVISORS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE INFORMATION REGARDING THE HISTORY, BUSINESS, AND OPERATIONS OF DEBTORS IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN BUT, AS TO CONTESTED MATTERS AND ADVERSARY PROCEEDINGS, IS NOT TO BE CONSTRUED AS AN ADMISSION OR A STIPULATION BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR TO REJECT THE PLAN, AND NOTHING STATED HEREIN WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING DEBTORS, COMMITTEE, THE CREDITOR TRUSTEE OR ANY OTHER PARTY, OR BE DEEMED A REPRESENTATION OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON DEBTORS OR HOLDERS OF CLAIMS OR INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY, INCLUDING ARTICLE VIII OF THIS DISCLOSURE STATEMENT, "RISK FACTORS TO BE CONSIDERED," BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

III. BRIEF HISTORY AND STRUCTURE OF DEBTOR

A. Historical Overview

Debtors were founded in 2006, were headquartered in Wilmette Illinois and prior to the Petition Date, operated 186 fully licensed eyebrow threading boutiques (the "Stores") throughout the United States. Debtors specialties included eyebrow threading, facial threading, body threading, henna tattoos, makeup and skin care. As of the Petition Date, Debtors employed approximately 600 employees, including 580 threading professionals and another 20 employees focused on retail and corporate operations in Debtors' Stores and corporate office. Approximately 450 employees worked on a full-time basis while approximately 150 were part-time employees. For the year ending

December 31, 2018, Debtors generated approximately \$23.52 million of gross sales and royalties. Debtors operated approximately 141 of their Stores and franchisees operate the other 45 Stores. Debtors' principal assets consisted of franchise agreements and leases.

B. Debtors' Organizational, Capital, and Debt Structure

As of the Petition Date, each Debtor was privately owned by Elizabeth Porikos-Gorgees, the sole shareholder and president. Debtors do not have a board of directors.

Debtors did not have prior to the Petition Date nor do they now have as of the filing of the Plan any secured debt obligations.

Prior to the Petition Date Debtors did not have, nor do Debtors currently have, any secured creditors. Debtors estimated their aggregate unsecured debt to be approximately \$4.0 million as of the Petition Date. Those obligations were generally owed to trade creditors and landlords with respect to Debtors' Store locations and corporate office.

C. Events Leading to Chapter 11

All the Stores were in shopping malls. Foot traffic in shopping malls has declined dramatically over the last two or three years because of the numerous retailers who are no longer in business and due to an increase in online shopping. The reduction in foot traffic resulted in a significant decline in the Stores' revenues. In addition, expenses increased due to higher rents, increases to the minimum wage, and state regulatory requirements requiring Debtors to employ licensed cosmetologists (whom are paid significantly more than one who is not licensed). Debtors leased each of their locations and, thus, due to the cash flow difficulties, they fell behind on their lease obligations. Additionally, between 2015 and 2017, the Debtors, through its Locks Rock entity, attempted to launch a new business line - hair styling clinics - by entering into approximately 24 leases. The Locks Rock locations had build-out costs of between \$114,250 to \$217,250 per store. The strategy was not successful. Some locations operated at a loss, some never opened, and others were franchised. As a result, substantially all of Locks Rock leases were terminated before the Petition Date, resulting in large payment plans to pay the lease termination damages. These payment plans were continuing through the Petition Date. Also, an extraordinarily contentious divorce case between Debtors' Sole Shareholder and President and her ex-husband contributed to the filing of Debtors' Chapter 11 Cases.

The Chapter 11 Cases were thus filed to preserve the value of Debtors' assets for all of their creditors, and to permit Debtors to either sell their assets as a going concern or restructure their liabilities and reorganize their business in a comprehensive and orderly fashion.

IV. THE ACTIVITIES IN THE CHAPTER 11 CASE

A. The Chapter 11 Cases

On the Petition Date, Debtors Filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. At that time, all actions and proceedings against Debtors and all acts to obtain property from Debtors were stayed pursuant to section 362 of the Bankruptcy Code. Debtors continued to operate their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

As part of the Chapter 11 Cases, Debtors sought and received various forms of relief from the Bankruptcy Court. A summary of such relief sought and granted in the Chapter 11 Cases, along with other material activities in the Chapter 11 Cases, is set forth below.

B. Chapter 11 Relief

1. First Day and Similar Relief

On or shortly after the Petition Date, Debtors Filed “first day” motions with the Bankruptcy Court seeking certain relief to continue uninterrupted operations. Debtors requested entry of “first day” and similar orders authorizing Debtors to: (i) continue payment of wages and ordinary course employee benefits (including prepetition amounts) [Docket No. 8]; (ii) jointly administer Debtors’ cases [Docket No. 9]; (iii) extend the time to file Debtors’ schedules and statements of financial affairs [Docket No. 10]; (iv) employ Stretto as the claims and noticing agent [Docket No. 11]; and (v) authorize Debtors to continue to use existing bank accounts, business forms, and cash management system and credit card fees and pay all fees related thereto, implement ordinary course changes to the cash management system, including opening and closing bank accounts, continue intercompany transactions and provide administrative priority for intercompany claims and corporate credit card charges and pay certain prepetition credit card obligations necessary to sustain critical business function [Docket No. 33]. The requested relief, to the extent it was not withdrawn, was granted. [See Docket Nos. 25, 51, 50, 47, 72, respectively].

2. Debtors’ Professional Advisors

Debtors have been advised by the following: Goldstein & McClintock LLLP as Debtors’ chapter 11 counsel; Levenfeld Pearlstein LLC as Debtors’ chapter 11 counsel; Schoenberg Finkel Newman & Rosenberg, LLC as Debtors’ special counsel; Ravinia Capital LLC as Debtors’ investment banker and CBIZ Accounting, Tax and Advisory of New York, LLC as financial advisor (jointly with Committee). Orders have been entered by the Bankruptcy Court authorizing Debtors’ retention of each of these firms. [Docket Nos. 89, 203, 121, 153, 154]. Goldstein & McClintock LLLP withdrew as counsel for Debtors on June 25, 2019. [Docket No. 339].

3. Appointment of Committee

The Office of the United States Trustee appointed a three-member Committee on February 13, 2019. The Committee includes the following three (3) members:

- Beth Robertson
- Brookfield Property REIT Inc.
- Simon Property Group LP.

On February 25, 2019, the Bankruptcy Court entered an order approving the retention of Sugar Felsenthal Grais & Helsinger LLP as Committee counsel [Docket No. 135].

4. Postpetition Operations

Debtors continued to operate their business during the Chapter 11 Cases in the ordinary course until the sale of their primary operating assets to Brow Art Management, LLC which closed on

September 20, 2019. Following such sale, Debtors have continued to wind down their operations, administering their remaining assets for the benefit of creditors and Debtors' estates.

5. Filing of Schedules and Statement of Financial Affairs

Debtors Filed their Schedules of Assets and Liabilities, Statements of Financial Affairs, Amended Schedules of Assets and Liabilities and Amended Statements of Financial Affairs as follows:

Debtor/Case Number	Date Schedules Filed/Docket Number	Date Statement of Financial Affairs Filed/Docket Number	Date Amended Schedules Filed/Docket Number	Date Amended Statements of Financial Affairs Filed/Docket No.	Date Summary of Assets Filed/Docket No.
Perfect Brow Art, Inc. (19-01811)	2/23/19 Docket No. 129	2/23/19 Docket No. 131	3/21/19 Docket No. 190	3/21/19 Docket No. 191	2/23/19 Docket No. 130
PB Art Franchise, Inc. (09-01818)	2/23/19 Docket No. 18	2/23/19 Docket No. 20	N/A	3/21/19 Docket No. 21	2/23/19 Docket No. 19
Perfect Brow Florida, Inc. (19-01820)	2/23/19 Docket No. 15	2/23/19 Docket No. 17	3/21/19 Docket No. 19	3/21/19 Docket No. 20	2/23/19 Docket No. 16
Perfect Brow New York, Inc. (19-01821)	2/23/19 Docket No. 16	2/23/19 Docket No. 18	3/21/19 Docket No. 19	N/A	2/23/19 Docket No. 17
Perfect Brow Puerto Rico, Inc. (19-01824)	2/23/19 Docket No. 16	2/23/19 Docket No. 18	3/21/19 Docket No. 19	3/21/19 Docket No. 20	2/23/19 Docket No. 17
Ohh La La Beauty Bar Franchise, Inc. (19-01825)	2/23/19 Docket No. 17	2/23/19 Docket No. 19	N/A	N/A	2/23/19 Docket No. 18
Locks Rock, Inc. (19-01826)	2/23/19 Docket No. 16	2/23/19 Docket No. 18	3/21/19 Docket No. 19	3/21/19 Docket No. 20	2/23/19 Docket No. 17
Perfect Brow Oakland, Inc. (19-01828)	2/23/19 Docket No. 16	2/23/19 Docket No. 18	3/21/19 Docket No. 19	N/A	2/23/19 Docket No. 17

6. Bar Dates

The Bankruptcy Court established certain bar dates for filing proofs of Claim. Generally, proofs of Claim were required to be Filed no later than May 6, 2019, except that proofs of Claim of any governmental units were required to be Filed no later than July 22, 2019.

7. Sale of Certain of Debtors' Assets

On May 30, 2019, Debtors Filed their Motion for Entry of (a) an Order (i) Approving Procedures (the "Bidding Procedures") for the Sale (the "Sale") of Substantially all of the Debtors' Assets (the "Purchased Assets") Free and Clear of all Liens, Claims, Encumbrances, and Other Interests; (ii) Scheduling an Auction; (iii) Establishing Procedures for the Assumption and Assignment of Certain Contracts and Leases; (iv) Approving Form and Manner of Notices associated with the Auction and the Assumption and Assignment of Contracts and Leases; and (v) Setting a Final Hearing; (b) an Order Approving the Sale to the Successful Bidder; and (c) Granting Related Relief (the "Sale Motion"). [Docket No. 267].

On June 10, 2019, the Court entered an Order granting the Bidding Procedures portion of the Sale Motion (the "Original Bidding Procedures Order"). [Docket No. 293].

Pursuant to the Sale Motion and the Original Bidding Procedures Order, an auction was scheduled for June 28, 2019. Despite extensive marketing, Debtors did not receive any Qualified Bids (as that term is defined in the Sale Motion and Original Bidding Procedures Order), and thus Debtors postponed the auction. [Docket No. 335].

On July 10, 2019, the Court entered an Amended and Restated Order granting the Bidding Procedures portion of the Sale Motion (the "Amended Bidding Procedures Order"), and pursuant to which Brow Art 23 LLC ("Brow Art 23") was designated the Stalking Horse Bidder and the auction was rescheduled. [Docket No. 383].

Pursuant to the Sale Motion and Amended Bidding Procedures Order, an auction was held on July 19, 2019. Brow Art 23 was designated the successful bidder at the auction at the purchase price of \$4,500,000.00. There was no back-up bidder selected at the auction. However, following the auction and before the Sale Hearing, Brow Art Management LLC ("BAM") made an offer for the Purchased Assets that was higher than Brow Art 23's offer.

On July 30, 2019, after holding a hearing (the "Sale Hearing"), the Court entered an Order (I) Approving the Asset Purchase Agreement Among Seller and Buyer (Brow Art 23), (II) Authorizing the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims, Interests and Encumbrances, (III) Authorizing the Assumption and the Assignment of Certain Executory Contracts and Leases in Connection Therewith And, (IV) Granting Related Relief (the "Sale Order") [Docket No. 425]. The Court also ruled that the Estates could not consider BAM's offer because it was made after the auction was closed.

Despite the lack of a financing contingency, Brow Art 23 was unable to close on its purchase agreement with Debtors on or before the "drop dead date" of August 19, 2019 due to a lack of funds. After sending a notice of default which Brow Art 23 failed to cure, Debtors terminated the purchase agreement with Brow Art 23.

Prior to doing so, Debtors, after consultation with Committee, reached out to BAM and BAM agreed to become the replacement purchaser. On July 30, 2019, Debtors and BAM entered into an Asset Purchase Agreement (the “BAM Purchase Agreement”).

On August 29, 2019, Debtors Filed their Motion for Entry of an Order (A) Granting Relief from Judgment from Sale Order and (B)(I) Approving the Asset Purchase Agreement Among Seller and New Buyer, (II) Authorizing the Sale of Certain of the Debtors’ Assets Free and Clear of Liens, Claims, Interests and Encumbrances, (III) Authorizing the Assignment of Certain Executory Contracts and Leases in Connection Therewith, and (IV) Granting Related Relief. [Docket No. 448].

On September 10, 2019, this Court entered the Order (I) Approving the Asset Purchase Agreement Among Seller and Buyer (BAM), (II) Authorizing the Sale of Certain of the Debtors’ Assets Free and Clear of Liens, Claims, Interests and Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Leases in Connection Therewith, and (IV) Granting Related Relief (the “Amended Sale Order”). [Docket No. 470].

On September 20, 2019, the sale to BAM closed at a purchase price of \$4,500,000.00, and Debtors are now winding up their operations.

8. Rejection/Assumption and Assignment of Leases

During the pendency of the Chapter 11 Cases, Debtors analyzed their approximately 185 non-residential real estate leases and rejected 48 of those leases. The remainder of Debtors’ leases (with the exception of one) were assumed and assigned to BAM. One lease was assumed and assigned to Royal Beauty, LLC (“Royal Beauty”), the assignee of the current franchisee operating at that location.

9. Exclusivity

Pursuant to section 1121 of the Bankruptcy Code, as of the filing of this Disclosure Statement, Debtors have the exclusive right to File a chapter 11 plan in the Chapter 11 Cases. On November 12, 2019, the Bankruptcy Court entered an order extending Debtors’ exclusive right to (i) file a chapter 11 plan to and including Friday, January 3, 2020 and (ii) solicit acceptance of such plan to and including Tuesday, March 3, 2020. [Docket No. 541].

10. Litigation Matters

a. Andy and Anji Adversary Proceeding

On October 4, 2019, Debtors commenced an adversary proceeding against Andy and Anji Brow Art 23 LLC (“Andi and Anji”), Adnan Hodroj (“Hodroj”) and Anjita Shrestha (“Shrestha” and collectively with Andi and Anji and Hodroj, “Defendants”), Case Number 19-00966. In their Complaint, Debtors seek \$124,884.47 in damages as a result of Andy and Anji’s default under its Franchise Agreement with Debtors and Hodroj and Shrestha’s breaches of their guaranties. Additionally, the Complaint seeks \$2,593.53 against all Defendants for reimbursement of amounts invoiced to the Defendants under the Franchise Agreement. Finally, in the alternative, Debtors’ Complaint includes counts for unjust enrichment and misappropriation of trade secrets against all Defendants.

Defendants Filed a Motion for Abstention on November 4, 2019, and Plaintiffs responded on December 10, 2019. There is a status date set on the Motion for Abstention on January 14, 2020.

b. Franchisee Payment Disputes

Certain of Debtors' franchisees have failed to pay rent or other amounts pursuant to their franchise agreements with Debtors. On December 10, 2019, Debtors filed an adversary against one such franchisee, Brow Art 23, LLC and Shima Abdollahi, seeking \$197,262.51, plus interest, attorneys' fees and costs. Debtors intend to file several other adversary actions to collect rent and franchisee fees owed to them.

V. VOTING INSTRUCTIONS AND PROCEDURES AND CONFIRMATION HEARING

A. Notice to Holders of Claims

Debtors will transmit this Disclosure Statement to Holders of Claims entitled to vote on the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, Holders of Claims in Class 1, who are unimpaired under the Plan, are conclusively deemed to have accepted the Plan and are not entitled to vote on the Plan. Pursuant to section 1126(g) of the Bankruptcy Code, Holders of Intercompany Claims in Class 3 and Holders of Interests in Class 4, who will receive no Distribution under the Plan on account of their Claims or Interests, are conclusively deemed to have rejected the Plan and are not entitled to vote on the Plan, and acceptance therefore will not be solicited. Holders of Claims in Class 2 will be the only Holders entitled to vote on the Plan. The purpose of this Disclosure Statement is to provide adequate information to enable such Holders to make a reasonably informed decision with respect to the Plan prior to exercising their right to vote to accept or reject the Plan.

ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR TO REJECT THE PLAN. This Disclosure Statement contains important information about the Plan and considerations pertinent to acceptance or rejection of the Plan.

THIS DISCLOSURE STATEMENT (INCLUDING ATTACHMENTS AND EXHIBITS) IS THE ONLY DOCUMENT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ON THE PLAN. No solicitation of votes may be made except after distribution of this Disclosure Statement, and no person has been authorized to distribute any information concerning Debtors other than the information contained herein.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING AND CONTAINS ESTIMATES AND ASSUMPTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL, FUTURE RESULTS. This Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. Debtors do not intend to update the estimated recoveries on Allowed Claims set forth in this Disclosure Statement; thus, they will not reflect the impact of any subsequent events not already accounted for in the assumptions underlying the estimates, nor do they reflect expected reserves or enhancements resulting from Disputed Claims. Further, Debtors do not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such

occurrences. Accordingly, the delivery of this Disclosure Statement will not under any circumstance imply that the information herein is correct or complete as of any time subsequent to the date hereof.

B. Solicitation Package

In soliciting votes for the Plan pursuant to this Disclosure Statement from the Holders of Claims entitled to vote, Debtors and Committee will also send a copy of the Plan; a Ballot to be used by such Holders in voting to accept or to reject the Plan; and a letter from the chairperson of Committee urging creditors to vote to accept the Plan.

C. Voting Procedures and Ballots and Voting Deadline

A form of Ballot is being provided to Holders of Allowed Claims in Class 2, by which Creditors in such Class may vote their acceptance or rejection of the Plan. The Ballot for voting on the Plan gives Holders of Allowed Class 2 Claims one important choice to make with respect to the Plan to vote for or against the Plan.

To vote on the Plan, Holders of Allowed Claims in Class 2 must complete the Ballot, as indicated on the Ballot by (i) indicating on the enclosed Ballot that such Class 2 Holder of an Allowed Claim either accepts the Plan or rejects the Plan; and (ii) signing their name and mailing the Ballot in the envelope provided for this purpose. The Claims Agent will count the Ballots.

IN ORDER TO BE COUNTED, BALLOTS MUST BE COMPLETED, SIGNED, AND RECEIVED NO LATER THAN 4:00 P.M. MOUNTAIN STANDARD TIME ON [to be inserted upon approval of solicitation procedures] AT THE FOLLOWING ADDRESS:

**STRETTO
Perfect Brow Ballot Processing
c/o Stretto
8269 East 23rd Avenue, Suite 275
Denver, CO 80238**

DO NOT SEND YOUR BALLOT BY FACSIMILE OR EMAIL.

IF YOUR BALLOT IS NOT PROPERLY COMPLETED, SIGNED, AND RECEIVED AS DESCRIBED, IT WILL NOT BE COUNTED. IF YOUR BALLOT IS DAMAGED OR LOST, YOU MAY REQUEST A REPLACEMENT BY ADDRESSING A WRITTEN REQUEST TO THE ADDRESS SHOWN ABOVE. FACSIMILE OR ELECTRONICALLY SUBMITTED BALLOTS WILL NOT BE COUNTED.

If you have any questions about (i) the procedure for voting your Claim or with respect to the packet of materials that you have received or (ii) or if you wish to obtain an additional copy of the Plan, this Disclosure Statement or any appendices or exhibits to such documents, please contact:

Harold D. Israel (hisrael@lplegal.com)
Jamie L. Burns (jburns@lplegal.com)
LEVENFELD PEARLSTEIN, LLC
2 N. LaSalle Street, Suite 1300
Chicago, Illinois 60602

Telephone: (312) 346-8380
Facsimile: (312) 346-8434

D. Combined Hearing to Approve Disclosure Statement and Confirm Plan and Deadline for Objections to Disclosure Statement and Confirmation

Section 1125(b) requires that the Bankruptcy Court approve the Disclosure Statement. Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing to consider Confirmation of the Plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to Confirmation of the Plan. Section 105(d)(2)(vi) allows the Court to approve the Disclosure Statement and confirm the Plan at the same hearing (the “Combined Hearing”).

The Court has scheduled a Combined Hearing on _____, 2020 at _____.m. CST in the United States Bankruptcy Court, Courtroom 619, 219 N. Dearborn, Chicago, Illinois. Notice of the Combined Hearing will be provided to Holders of Claims and Interests or their representatives (the “Notice of Combined Hearing”) as set forth in the Disclosure Statement Order. Objections to Confirmation must be Filed with the Bankruptcy Court _____, 2020 and are governed by Bankruptcy Rules 3020(b) and 9014 and Local Rules for the United States Bankruptcy Court for the Northern District of Illinois. AN OBJECTION TO CONFIRMATION THAT IS NOT TIMELY SERVED AND FILED MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

AS SET FORTH IN ARTICLE X.E OF THIS DISCLOSURE STATEMENT, DEBTORS AND COMMITTEE BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERY POSSIBLE FOR HOLDERS OF CLAIMS AGAINST DEBTORS AND THUS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

VI. SUMMARY OF THE PLAN

The primary objective of the Plan is to maximize recoveries by creditors by liquidating Debtors’ remaining assets in the most efficient way and distributing the proceeds of that liquidation to creditors.

This Disclosure Statement includes summaries of the material provisions contained in the Plan and in documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statements of such terms and provisions.

The Plan itself and the documents referred to therein control the actual treatment of Claims against and Interests in Debtors under the Plan and will, upon the Effective Date, be binding upon all Holders of Claims against and Interests in Debtors and their Estates and other parties in interest. In the event of any conflict between this Disclosure Statement, on the one hand, and the Plan or any other operative document, on the other hand, the terms of the Plan or such other operative document are controlling.

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of

itself, its creditors and interest holders. Controlled and structured liquidations are also permitted under chapter 11. A primary goal of chapter 11, whether in reorganization or liquidation, is to promote equality of treatment for similarly situated creditors and similarly situated interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all the legal and equitable interests of the debtor as of the filing date. 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."

The consummation of a plan is the principal objective of a chapter 11 case. A plan sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan by a bankruptcy court makes the plan binding upon the subject debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan, and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan.

B. Overview of the Joint Plan of Liquidation

Debtors and Committee believe that the Plan provides the best and most prompt possible recovery to Holders of Claims against Debtors. The Plan is divided into eight Sections. It is important that Holders of Claims review the Plan in its entirety.

1. Defined Terms and Rules of Interpretation

Section I of the Plan defines various terms used in the Plan, and Section I also provides rules for interpretation of the Plan and computation of time.

2. Classification and Treatment of Claims and Interests

Section II of the Plan classifies Claims against and Interests in Debtors. There is one unimpaired Class of Claims that is deemed to have accepted the Plan: Class 1: Allowed Priority Claims (other than unsecured Priority Tax Claims). There is one Impaired Class of Claims in which the Holders of Claims in that Class are entitled to vote on the Plan: Class 2, General Unsecured Claims. Finally, there are two Classes that are deemed to have rejected the Plan: Class 3 and Class 4, consisting of Intercompany Claims and the Interests, respectively.

Section II also describes the treatment of Claims and Interests under the Plan. Subject to the allowance procedures and deadlines provided in the Plan, the Creditor Trustee will pay to each Holder of an Allowed Administrative Expense Claim, on account of the Allowed Administrative Expense Claim, and in full satisfaction thereof, Cash equal to the amount of such Allowed Administrative Expense Claim, unless the Holder agrees to other treatment. Except as otherwise provided in the Plan or in a prior order of the Bankruptcy Court: (i) payment of an Administrative Expense Claim that is an Allowed Claim as of the Effective Date will be made on the later of the Effective Date or the date such payment would have become due for payment of such Allowed Administrative Expense Claim in the absence of the Chapter 11 Cases, whether pursuant to contract or applicable non-bankruptcy law; and (ii) payment of an Administrative Expense Claim that becomes an Allowed Claim following the Effective Date must be made on or before the date that is 30 days after an order deeming such Administrative Expense Claim an Allowed Claim becomes a Final Order.

Allowed Class 1 Priority Claims are Unimpaired by the Plan and will be paid by the Creditor Trustee in order of the priorities set forth in § 507 of the Bankruptcy Code in full in Cash as soon as practicable following the later of: (i) the Effective Date and (ii) the date such Class 1 Priority Claim becomes an Allowed Claim (or otherwise as permitted by law); provided, however, that any Person holding a Class 1 Priority Claim may be treated on such less favorable terms as may be agreed to in writing by such Person.

Holders of Allowed Class 2 Claims shall be paid Pro Rata in accordance with the Creditor Trust Agreement and this Plan. In accordance with the Creditor Trust Agreement, all property of the Estate shall be deposited in the Creditor Trust no later than the Effective Date. The Creditor Trustee shall liquidate the Creditor Trust Assets, as applicable, and after making an initial Distribution, shall distribute the Net Proceeds from time to time on dates determined by the Creditor Trustee, following consultation with the Oversight Committee, within a reasonable time after the creation of appropriate reserves as determined by the Creditor Trustee in an amount that would be sufficient to: (i) satisfy all Administrative Claims in full; (ii) satisfy all Priority Tax Claims and Priority Claims in full; (iii) pay the Trustee's Expenses in full; and (iv) make a Pro Rata Distribution on account of Disputed Claims that are Class 2 General Unsecured Claims.

Holders of Class 3 Intercompany Claims and Class 4 Interests will not receive a Distribution under the Plan, and their Claims and Interest shall be canceled and extinguished as of the Effective Date.

3. Acceptance or Rejection of the Plan

Section III of the Plan describes the voting requirements for acceptance of the Plan and states that only Holders of Allowed Class 2 Claims are entitled to vote on the Plan.

4. Means for Implementation of the Plan

Section IV of the Plan describes the means for implementation of the Plan. That Section includes discussion of: (a) Substantive Consolidation; (b) the Payment of Bonuses to Debtors' Bookkeepers; (c) Vesting of Assets in the Creditor Trust; (d) Creditor Trust Administration; (e) Preservation, Prosecution and Resolution of Estate Causes of Action; and (f) Distributions under the Plan made by the Creditor Trustee.

a. Substantive Consolidation

The Estates of Perfect Brow Art, Inc., Perfect Brow Florida, Inc., Perfect Brow Puerto Rico, Inc., Perfect Brow New York, Inc., Locks Rock, Inc., P.B. Art Franchise, Inc., Perfect Brow Oakland, Inc., and Ooh La La Beauty Bar Franchise, Inc. will be "substantively consolidated," as of the Effective Date into the Estate of Perfect Brow Art, Inc.

"Substantive consolidation" means:

(a) All of the Assets (and all proceeds of the Assets) and all liabilities of each of the Debtors are deemed merged or treated as though they were merged into and with the assets and liabilities of each other;

(b) no Distributions will be made under the Plan on account of Intercompany Claims among the Debtors, and all such Claims will be eliminated and extinguished;

(c) all guaranties of a Debtor of the obligations of any other Debtor will be deemed eliminated and extinguished so that any Claim against any Debtor and any guaranty thereof executed by any Debtor and any joint or several liability of any of the Debtors will be deemed to be one obligation of the consolidated Debtors;

(d) each and every Claim Filed or to be Filed in any of the Chapter 11 Cases will be treated as Filed against the consolidated Debtors, and will be treated as one Claim against and as one obligation of the consolidated Debtors; and

(e) for purposes of determining the availability of the right of setoff under § 553 of the Bankruptcy Code, Debtors will be treated as one entity so that, subject to the other provisions of § 553 of the Bankruptcy Code, debts due to any of the Debtors may be setoff against the debts of any of the other Debtors.

In summary, all the Assets of Debtors will be combined into one pool of assets. Similarly, all of the liabilities of Debtors will be combined into one pool of liabilities for purposes of making Distributions to the Holders of Allowed Claims under the Plan. Accordingly, all of Debtors' Creditors will be treated as if they are Creditors of one and the same entity, that being a consolidated Debtor entity.

Due to the single-entity treatment and nature of Debtors, substantive consolidation will achieve a fair result for all Creditors and Debtors and will enable the Assets of Debtors to be administered in an efficient manner. If the Estates are not substantively consolidated, Debtors believe that significant administrative expenses will be incurred to allocate assets and liabilities between the Estates.

Upon the substantive consolidation of each Estate into the Estate of Perfect Brow Art, Inc., the Chapter 11 Cases of all Debtors other than Perfect Brow Art, Inc. will be closed. Upon such event, the Creditor Trustee may File all Estate Causes of Action and objections to Claims in the Perfect Brow Art, Inc. Chapter 11 Case, and not in any other individual Chapter 11 Case, regardless of the fact that the transferring Debtor (in an Avoidance Action) or the Debtor against whom a Claim was Filed (in a Claim objection proceeding) may be a Debtor other than Perfect Brow Art, Inc.

The Plan will serve as a Motion seeking substantive consolidation for Distribution and voting purposes. Upon the entry of a Substantive Consolidation Order, all of the assets of Debtors shall be combined into one pool of assets, and similarly, all of the liabilities of Debtors shall be combined into one pool of liabilities for purposes of making Distributions to the holders of Allowed Claims under the Plan.

In the event that the Bankruptcy Court does not approve the substantive consolidation of all of the Estates, the Plan Proponents reserve the right, pursuant to Section IV.A.3. of the Plan, to revoke or withdraw this Plan as to any Debtor(s) whose Estate(s) cannot be substantively consolidated. Debtors further reserve the right to—at any time up to the conclusion of the Combined Hearing—withdraw their request for substantive consolidation of the Chapter 11 Cases, to seek Confirmation of the Plan as if there were no substantive consolidation, and to seek Confirmation of the Plan with respect to one Debtor even if Confirmation with respect to other Debtors is denied.

b. The Payment of Bonuses

The Plan will serve as a motion seeking entry of an order approving the Bonuses under Section 503(c)(3) of the Bankruptcy Code. The facts and circumstances of these Chapter 11 Cases clearly justify the Bonuses. The Bookkeepers, neither of whom are “Insiders” under Section 101(31) of the Bankruptcy Code, consistently worked over time and went above and beyond throughout the Chapter 11 Cases. Without their outstanding efforts, Debtors would not have been able to sell substantially all of their assets and the Chapter 11 Cases would have likely converted to Chapter 7.

c. Vesting of Assets in the Creditor Trust

On the Effective Date, all assets of Debtors and their Estates (including the Creditor Trust Assets) shall be transferred to and vest in the Creditor Trust and be deemed contributed thereto, subject to the terms of the Plan. The Assets include, without limitation, (i) all Cash held by the Debtors; (ii) any remaining personal property owned by the Debtors as of the Effective Date; (iii) all Estate Causes of Action; and (iv) the Insurance Policies. For the avoidance of doubt, all property held for Distribution pursuant to the Plan shall be held by the Creditor Trust solely in trust for the Holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Class 1 Priority Claims, and Allowed Class 2 General Unsecured Claims and shall not be deemed property of the Debtors. Nothing in the Plan, however, shall preclude payment of: (i) statutory fees under 28 U.S.C. § 1930 to the extent unpaid on the Confirmation Date; and (ii) the Trustee’s Expenses in accordance with this Plan and the Creditor Trust Agreement from any other assets held by the Creditor Trust. The Debtors are hereby authorized and directed to take such steps as may be necessary or appropriate to confirm such transfer and contribution of its property to the Creditor Trust, subject to oversight from the Creditor Trustee, as applicable.

d. Creditor Trust Administration

The Creditor Trustee, with guidance from the Oversight Committee, will administer the Creditor Trust Assets pursuant to the Plan and the Creditor Trust Agreement from and after the Effective Date. The Creditor Trustee will be responsible for liquidating the Creditor Trust Assets, analyzing and reconciling Claims (including filing and pursuing objections to the extent required), pursuing Estate Causes of Action, making Distributions of Net Proceeds to the Beneficiaries of the Creditor Trust, and all other activities typically related to administering the Creditor Trust.

e. Preservation, Prosecution and Resolution of Estate Causes of Action

(i) Transfer, Prosecution, Preservation, and Resolution of Estate Causes of Action

On the Effective Date, the Debtors shall transfer to the Creditor Trust, and the Creditor Trustee shall hold and retain, all rights of the Debtors to commence and pursue any and all Estate Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal including, without limitation, in an adversary proceeding filed in the Chapter 11 Cases) discovered in such investigation to the extent the Creditor Trustee deems appropriate. Potential Estate Causes of Action may, but need not be, pursued by the Debtors prior to the Effective Date and by the Creditor Trustee after the Effective Date. All Estate Causes of Action, defenses, and counterclaims not expressly and specifically released in connection with the Plan, the Confirmation Order, or in any settlement agreement approved during the Chapter 11 Cases, or as otherwise provided in the Confirmation Order or in any contract, instrument, release, indenture or other agreement entered

into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, shall be transferred to and vest with the Creditor Trust, whether or not litigation relating thereto is pending on the Effective Date, and whether or not any such Estate Causes of Action, defenses and counterclaims have been listed or referred to in the Plan, the Schedules, or any other document Filed with the Bankruptcy Court, and prior to the Effective Date, the Debtors shall not waive, relinquish, or abandon (nor shall it be estopped or otherwise precluded from asserting) any right, Claim, Estate Cause of Action, defense, or counterclaim that constitutes property of the Estates: (a) whether or not such right, Claim, Estate Cause of Action, defense, or counterclaim has been listed or referred to in the Plan or the Schedules, or any other document Filed with the Bankruptcy Court, (b) whether or not such right, Claim, Estate Cause of Action, defense, or counterclaim is currently known to the Debtors, and (c) whether or not a defendant in any litigation relating to such right, Claim, cause of action, defense or counterclaim Filed a proof of Claim in the Chapter 11 Cases, Filed a notice of appearance or any other pleading or notice in the Chapter 11 Cases, voted for or against the Plan, or received or retained any consideration under the Plan. Without in any manner limiting the generality of the foregoing preservation of rights, notwithstanding any otherwise applicable principal of law or equity, without limitation, any principals of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar doctrine, the failure to list, disclose, describe, identify, or refer to an Estate Cause of Action, defense, or counterclaim, or potential Estate Cause of Action, defense, or counterclaim, in the Plan, the Schedules, or any other document Filed with the Bankruptcy Court shall in no manner waive, eliminate, modify, release, or alter the Creditor Trustee's right to commence, prosecute, defend against, settle, and realize upon any Estate Causes of Action, defenses, or counterclaims that the Debtors had immediately prior to the Effective Date, or that the Creditor Trust has as of the Effective Date. The Creditor Trustee may commence, prosecute, defend against, settle, and realize upon any rights, Claims, Estate Causes of Action, defenses, and counterclaims in his sole discretion, in accordance with what is in the best interests, and for the benefit, of the Beneficiaries of the Creditor Trust.

(ii) Preservation of Right to Conduct Investigations

Preserving any and all rights to conduct investigations pursuant to Bankruptcy Rule 2004 for the Creditor Trust is necessary and relevant to the liquidation and administration of the Creditor Trust Assets. Accordingly, any and all rights to conduct investigations pursuant to Bankruptcy Rule 2004 held by the Debtors prior to the Effective Date shall vest with the Creditor Trust and shall continue until dissolution of the Creditor Trust.

(iii) Preservation of Estate Causes of Action

Unless any Estate Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, or by a Final Order, in accordance with § 1123(b) of the Bankruptcy Code, the Creditor Trust:

- (a) shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Estate Causes of Action of the Debtors or the Debtors' Estates, whether arising before or after the Petition Date, including, but not limited to, any Estate Causes of Action specifically enumerated in Appendix C attached hereto, and the Creditor Trust's right to commence, prosecute, or settle such Estate Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date; and
- (b) expressly preserves all Estate Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue

preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Estate Causes of Action upon, after, or as a consequence of the Confirmation of the Plan or the occurrence of the Effective Date. The Creditor Trust may pursue Estate Causes of Action, as appropriate, in accordance with the best interests of the Creditor Trust. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Estate Cause of Action against such entity as any indication that the Creditor Trust will not pursue any and all available Estate Causes of Action against such Person. The Creditor Trust reserves all rights to prosecute any and all Estate Causes of Action against any Person, except as otherwise expressly provided in the Plan or in a Bankruptcy Court order. For the avoidance of doubt, the Plan does not release any Estate Causes of Action that the Plan Proponents or the Creditor Trust have—or may have—now or in the future against any Person.

In accordance with § 1123(b)(3) of the Bankruptcy Code, any Estate Causes of Action that the Debtors may hold against any Person that is not released under the Plan or a separate settlement approved by Final Order shall vest in the Creditor Trust, which shall retain and may exclusively enforce any and all such Estate Causes of Action. The Creditor Trust has the exclusive right, authority, and discretion to determine and to initiate, File, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any Estate Causes of Action, or to decline to do any of the foregoing, without the consent or approval of any third party or any further notice to or action, order, or approval of the Bankruptcy Court.

THE CREDITOR TRUSTEE WILL DETERMINE WHETHER TO PURSUE ESTATE CAUSES OF ACTION. THE CREDITOR TRUSTEE MAY SEEK TO RETAIN COUNSEL ON AN HOURLY OR CONTINGENCY BASIS TO PROSECUTE SOME OR ALL OF SUCH ESTATE CAUSES OF ACTION OR MAY DECIDE NOT TO PURSUE THEM AT ALL. THE CREDITOR TRUSTEE, ITS PROFESSIONALS, EMPLOYEES, CONTRACTORS, OFFICERS, DIRECTORS, SUCCESSORS, AND ASSIGNS WILL NOT HAVE ANY LIABILITY ARISING OUT OF THE CREDITOR TRUSTEE'S GOOD FAITH DETERMINATION OF WHETHER OR NOT TO PURSUE PROSECUTION OF ANY ESTATE CAUSE OF ACTION.

For the avoidance of doubt, Plan Proponents have not completed their investigation into the existence of Estate Causes of Action, and there may be Estate Causes of Actions that currently exist, or may later arise, in addition to the matters identified in the Disclosure Statement and the Plan. Any existing or potential Estate Causes of Action that have not yet been pursued are not waived.

f. Distributions by the Creditor Trustee

Except as otherwise provided in the Plan, or as may be ordered by the Bankruptcy Court, Distributions to be made on account of Unclassified Claims, and Allowed Priority Claims in Class 1, will be made on or soon as reasonably practicable after the Effective Date (or the date such Claims become Allowed Claims) by the Creditor Trustee. Distributions to be made on account of Allowed Class 2 Claims will be made as set forth in the Creditor Trust Agreement.

5. Exculpation

Section V describes the exculpations being given by Debtors to the following, including each of their respective members, directors, officers, agents, employees and professionals: (i) Levenfeld & Pearlstein, LLC; (ii) Goldstein & McClintock LLLP; (iii) Stretto; (iv) CBIZ Accounting Tax &

Advisory Services; (v) Schoenberg Finkel Newman & Rosenberg LLC a/k/a SFNR LLC; (vi) Ravinia Capital, LLC and (vii) Sugar Felsenthal Grais & Helsinger LLP in consideration for, among other things, their services to the Estates. Specifically:

None of the Exculpated Parties shall have or incur any liability for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, implementation, Confirmation, or approval of this Plan, the administration of this Plan, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in this Plan; provided, however, that the foregoing provisions shall not affect the liability of any Person that would result solely from any such act or omission to the extent that act or omission is determined by a Final Order of the Bankruptcy Court to have constituted willful misconduct or gross negligence or breach of fiduciary duty; provided further, however, that this provision shall not limit the Debtors' obligations under this Plan; provided further, however, that notwithstanding the foregoing or any other provision of this Plan, nothing in this Plan, or any order confirming this Plan shall affect any causes of action, claims, or counterclaims that may be asserted in connection with an objection to a Claim that has not been Allowed, in each case as determined by a court of competent jurisdiction. Notwithstanding the foregoing, no Exculpated Party shall have liability for willful misconduct or gross negligence except as determined by a final order of a court of competent jurisdiction. The Exculpated Parties have acted in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation of this Plan and, therefore, are not, and on account of such Distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or such Distributions made pursuant to this Plan.

Section V further provides that Confirmation of the Plan will constitute a finding that the Plan was proposed, and that acceptances of the Plan were solicited, in good faith and in compliance with applicable provisions of the Bankruptcy Code.

6. Effectiveness of the Plan

Section VI details the effectiveness of the Plan. Specifically, it provides for the following:

- **Acceptance or Rejection of the Plan:** Class 2 will have accepted the Plan if the Holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims in the Class actually voting have voted to accept the Plan, in each case not counting the vote of any Holder designated under section 1126(e) of the Bankruptcy Code. Any Class that does not contain any Allowed Claims or any Claims temporarily allowed for voting purposes under Bankruptcy Rule 3018, as of the date of the commencement of the Combined Hearing, will be deemed not included in the Plan for purposes of (i) voting to accept or reject the Plan and (ii) determining whether such Class has accepted or rejected the Plan under section 1129(a)(8) of the Bankruptcy Code.
- **Conditions Precedent:** The Effective Date cannot occur until the following conditions have been satisfied or waived (the “*Conditions Precedent*”): the Bankruptcy Court will have entered an order granting approval of the Disclosure Statement and finding that it contains adequate information pursuant to § 1125 of the Bankruptcy Code and

that order will have become a Final Order; the Bankruptcy Court will have entered a Confirmation Order that is in form and substance satisfactory to Debtors and Committee; the Creditor Trust Agreement, in form and substance satisfactory to Committee, will be executed and delivered, and all conditions precedent to the effectiveness thereof will have been satisfied; the Confirmation Order will have become a Final Order; and no stay of the Confirmation Order is in effect.

- **Effective Date:** The Plan will not be consummated or become binding unless and until the Effective Date occurs. The Effective Date will be the date selected by the Plan Proponents which is a Business Day after the entry of the Confirmation Order on which: (i) no stay of the Confirmation Order is in effect, and (ii) all Conditions Precedent specified in Section VI.B of the Plan have been satisfied, unless waived by the Plan Proponents. Any action to be taken on the Effective Date may be taken on or as soon as reasonably practicable after the Effective Date.
- **Confirmation Request:** If necessary, the Plan Proponents will request that the Bankruptcy Court confirm the Plan under § 1129(b) of the Bankruptcy Code with respect to any Class that rejects the Plan.
- **Termination of Committee:** Committee will terminate automatically on the Effective Date. Upon its termination, Committee will be dissolved and its members will be deemed released of their duties and responsibilities in connection with the Chapter 11 Cases and the Plan and its implementation, and the retention or employment of Committee's counsel will terminate, except for ministerial duties or any duties imposed by the Plan (including filing applications for allowance and payment of Professional Fee Claims).
- **Officers of Debtors:** On the Effective Date, all officers of Debtors, as the case may be, will be automatically deemed to have resigned from such positions, without further act, notice, deed or court order and its implementation.
- **Debtors' Professionals:** Additionally, on the Effective Date, the retention or employment of Debtors' Professionals will terminate, except for ministerial duties or any duties imposed by the Plan and Creditor Trust Agreement (including filing applications for allowance and payment of Professional Fee Claims).
- **Notice of Effective Date:** As soon as practicable after the Effective Date has occurred, the Creditor Trustee will File with the Bankruptcy Court an informational notice specifying the Effective Date, as a matter of record.

7. Effect of Confirmation

Section VII of the Plan describes the effect of Confirmation, and specifically provides that the Plan is the sole means for resolving, paying or otherwise dealing with Claims and Interests. To that end, except as expressly provided in the Plan, at all times on and after the Effective Date, all Persons who have been, are, or may be Holders of Claims against or Interests in Debtors, arising before the Effective Date, will be permanently enjoined from taking any of the following actions, on account of any such Claim or Interest, against Debtors, the Estates, the Creditor Trust or Creditor Trustee, their

successors, or their respective property or assets (other than actions brought to enforce any rights or obligations under the Plan):

- (a) commencing, conducting or continuing in any manner, directly or indirectly any suit, action, or other proceeding of any kind against Debtors and/or Estates, the Creditor Trust, or the Creditor Trustee, their successors, or their respective property or assets (including, without limitation, all suits, actions, and proceedings that are pending as of the Effective Date which will be deemed to be withdrawn or dismissed with prejudice);
- (b) enforcing, levying, attaching, executing, collecting, or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree, or order against Debtors, the Estates, the Creditor Trust, or the Creditor Trustee, their successors, or their respective property or assets;
- (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien, security interest or encumbrance against Debtors, the Estates, the Creditor Trust, or the Creditor Trustee, their successors, or their respective property or assets; and
- (d) proceeding in any manner in any place whatsoever against Debtors, the Estates, the Creditor Trust, or the Creditor Trustee, their successors, or their respective property or assets that does not conform to or comply with the provisions of the Plan.

By accepting Distributions pursuant to the Plan, each Holder of an Allowed Claim receiving Distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth herein.

The Confirmation Order shall permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Estate Causes of Action or liabilities enjoined, exculpated, or otherwise limited or prohibited pursuant to this Plan, including the claims, obligations, suits, judgments, damages, demands, debts, rights, and Estate Causes of Action against Debtors or Committee that are described in Section V.B of the Plan.

Unless otherwise provided in the Plan or the Confirmation Order, all injunctions or stays provided for under this Plan and ordered in the Confirmation Order or pursuant to sections 105 or 362 of the Bankruptcy Code arising under or entered during the Chapter 11 Cases, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Cases are closed.

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to sections 105, 362, or 525 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Cases have been closed. The Confirmation Order will permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively or otherwise, of any Claims, Interests, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released pursuant to the Plan.

Section VII further provides that in accordance with § 1141(d)(3) of the Bankruptcy Code, the Confirmation Order will not discharge Debtors. However, no Holder of a Claim may receive any

payment from, or seek recourse against, any Assets that are to be distributed under the Plan other than Assets required to be distributed to that Holder pursuant to the Plan. As of the Confirmation Date, all Persons are enjoined from asserting against any property that is to be distributed under the Plan, any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided in the Plan or the Confirmation Order.

Before the Effective Date, the Plan may be withdrawn as to one or more of the Debtors or may be altered, amended, or modified pursuant to § 1127 of the Bankruptcy Code by the Plan Proponents. After the Effective Date, the Creditor Trustee will have, subject to Bankruptcy Court order, the sole authority and power to alter, amend, or modify the Plan pursuant to § 1127 of the Bankruptcy Code.

As also set forth in Section VII, pursuant to Bankruptcy Rule 3022, a final decree closing a chapter 11 estate may not be entered until a bankruptcy case is fully administered. The Bankruptcy Court may, however, allow a final decree to be entered closing the Chapter 11 Cases on an earlier date, for cause shown.

8. Additional Provisions

Article VIII of the Plan contains various other provisions, including, among other things executory contracts and unexpired leases, bar dates, notice provisions and governing law.

VII. RISK FACTORS TO BE CONSIDERED

Holders of Claims against Debtors should read and consider carefully the information set forth below, as well as the other information set forth in this Disclosure Statement prior to voting to accept or reject the Plan. This information, however, should not be regarded as the only risks involved in connection with the Plan and/or its implementation.

A. Failure to Satisfy Vote Requirement

If the Plan does not receive the requisite votes in accordance with the requirements of the Bankruptcy Code, Debtors and/or Committee may be forced to pursue other alternatives in the Chapter 11 Cases that will result in lower creditor recoveries than estimated under the Plan, including but not limited to, a conversion of the Chapter 11 Cases to cases under chapter 7 of the Bankruptcy Code.

B. Non-Confirmation or Delay of Confirmation of the Plan

The Bankruptcy Court, which sits as a court of equity, may exercise substantial discretion. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the value of distributions to dissenting creditors and equity holders not be less than the value of distributions such creditors and equity holders would receive if Debtors were liquidated under chapter 7 of the Bankruptcy Code. Although Debtors and Committee believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. The Plan Proponents, however, reserve the right to amend the Plan in such a manner to as to cure any defects in the satisfaction of the requirements of section 1129 of the Bankruptcy Code.

C. Non-Consensual Confirmation

The Bankruptcy Court may confirm the Plan over the dissent of any Impaired Class if all of the requirements for consensual confirmation under subsection 1129(a) of the Bankruptcy Code, other than subsection 1129(a)(8), and for nonconsensual confirmation under subsection 1129(b) of the Bankruptcy Code, have been satisfied. Because Class 3 and Class 4, consisting of Intercompany Claims and Interests, respectively, are impaired and deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code, Debtors and Committee shall request that the Bankruptcy Court confirm the Plan notwithstanding the deemed rejection of Class 3 and Class 4 in accordance with section 1129(b)(2)(C) of the Bankruptcy Code.

Notwithstanding subsection 1129(b) of the Bankruptcy Code, the Bankruptcy Court may not confirm the Plan unless at least one Impaired Class has voted to accept the Plan, without regard to any acceptance of the Plan by any Insider. Class 2, consisting of all Unsecured Claims that are not Administrative Claims, Priority Tax Claims, or Priority Claims, is the only Impaired Class entitled to vote to accept or reject the Plan. Accordingly, if Class 2 does not vote to accept the Plan, the Bankruptcy Court cannot confirm the Plan.

D. Risk of Non-Occurrence of the Effective Date

Although Debtors and Committee believe that the Effective Date will occur reasonably soon after the Confirmation Date, there can be no assurance as to such timing or as to whether it will occur.

E. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code requires that the Plan classify Claims against, and Interests in, Debtors. The Bankruptcy Code also provides that the Plan may place a Claim or Interest in a particular Class only if such Claim or Interest is substantially similar to the other Claims or Interests of such Class. Debtors and Committee believe that all Claims and Interests have been appropriately classified in the Plan, but there can be no assurance that the Bankruptcy Court will reach the same conclusion.

F. Claim Objections and Reconciliations

The potential recovery to Class 2, Allowed General Unsecured Claims, depends on, among other things, the outcome of the Claims reconciliation and objection process, conducted pre-Confirmation (to the extent applicable) by Debtors and Committee and post-Confirmation by the Creditor Trustee. Therefore, the Distribution to Holders of Class 2 Allowed General Unsecured Claims may increase or decrease depending on the resolution of outstanding Claims. There is a risk that a creditor's Claim, as Filed, could be technically classified as Allowed when the Plan is confirmed, but could subsequently become a Disputed Claim even though such creditor voted in favor of the Plan. Debtors, Committee and Creditor Trustee reserve all rights to object to Filed and scheduled Claims in accordance with the provisions of the Plan, the Bankruptcy Code and the Bankruptcy Rules.

G. Recoveries from Estate Causes of Action

All Estate Causes of Action that have otherwise not been resolved or expressly released under the Plan will be transferred to the Creditor Trust as of the Effective Date of the Plan. Committee

expects the Creditor Trustee will conduct a thorough investigation of the Estate Causes of Action and will make a determination whether commencing litigation with respect to any Estate Causes of Action not yet pending will yield a material economic benefit to Holders of Allowed General Unsecured Claims. It is impossible at this time to determine whether the Creditor Trustee will commence litigation to pursue Estate Causes of Action and to predict the recoveries, if any, from such litigation.

H. Other Unliquidated Assets

Depending on the timing of the Effective Date, it is possible that the Creditor Trust will receive other unliquidated Assets, such as proceeds from the sale of miscellaneous assets or recoveries of accounts receivable. It is impossible at this time to determine the value of these unliquidated Assets, which will affect the ultimate recovery to Holders of Allowed General Unsecured Claims.

VIII. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. None of Debtors nor any other party in interest have requested a ruling from the Internal Revenue Service (the “IRS”) or an opinion of counsel concerning same. This Disclosure Statement does not discuss any aspects of federal income taxation that may be relevant to a particular holder of a Claim or Interest in light such holder’s individual investment circumstances or to holders subject to special treatment under the federal income tax laws. Please see the Creditor Trust Agreement which will be Filed with the Court for a discussion of certain federal income tax considerations, including possible consequences with respect to holders of Allowed Claims that are Beneficiaries of the Creditor Trust.

ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT ITS OWN TAX ADVISOR AS TO THE CONSEQUENCES OF THE PLAN TO IT UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND FOREIGN TAX LAWS. NOTHING CONTAINED HEREIN SHOULD BE CONSIDERED A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED ON A HOLDER’S INDIVIDUAL CIRCUMSTANCE.

IX. STATUTORY REQUIREMENTS FOR CONFIRMATION, FEASIBILITY AND ACCEPTANCE OF THE PLAN, BEST INTERESTS TEST, AND CRAMDOWN

A. Statutory Requirements for Confirmation of the Plan

At the Combined Hearing, the Bankruptcy Court shall determine whether the requirements of Bankruptcy Code section 1129 have been satisfied. Debtors and Committee believe that the Plan satisfies or will satisfy the applicable requirements, as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- Plan Proponents, as the proponents of the Plan, will have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.

- Any payment made or promised under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the case, has been disclosed to the Bankruptcy Court, and any such payment: (1) made before the Confirmation of the Plan is reasonable; or (2) subject to the approval of the Bankruptcy Court is reasonable if it is to be fixed after the Confirmation of the Plan.
- Either each Holder of an Impaired Claim or Equity Interest will have accepted the Plan, or will receive or retain under the Plan on account of that Claim or Equity Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount that the Holder would receive or retain if Debtors were liquidated on that date under Chapter 7 of the Bankruptcy Code.
- Each Class of Claims or Interests that is entitled to vote on the Plan will have either accepted the Plan or is not Impaired under the Plan, or the Plan can be confirmed without the approval of each voting Class pursuant to Bankruptcy Code section 1129(b).
- At least one Class of Impaired Claims will accept the Plan, determined without including any acceptance of the Plan by any Insider holding a Claim of that Class.
- The Plan provides for the payment in full of administrative expense and certain priority claims in accordance with section 1129(a)(9) of the Bankruptcy Code.
- Confirmation of the Plan is not likely to be followed by further liquidation or financial reorganization of Debtors or any successors thereto under the Plan except to the extent such a liquidation is proposed in the Plan.
- All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee if applicable, will be paid as of the Effective Date.

Plan Proponents believe that: (a) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code; (b) they have complied or will have complied with all of the requirements of chapter 11; and (c) the Plan has been proposed in good faith.

B. Feasibility of the Plan

Section 1129(a)(11) of the Bankruptcy Code requires that the Bankruptcy Court determine that Confirmation of a Plan is not likely to be followed by liquidation or the need for further financial reorganization of Debtors. The Plan already contemplates a liquidation, so the goals of the Plan are feasible and the risk of further financial reorganization is not relevant.

C. Acceptance of the Plan

As a condition to Confirmation, section 1129(a)(8) of the Bankruptcy Code requires that each Class of Impaired Claims vote to accept the Plan, except under certain circumstances. 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 (2/3) in dollar amount and more than one half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Plan. Thus, for example, Class 4 votes to accept the Plan only if two thirds (2/3) in amount and a majority in number actually voting in such Class cast their Ballots in favor of acceptance. Holders of Claims

who fail to vote are not counted as either accepting or rejecting a plan.

D. Best Interests Test

Section 1129(a)(7) provides that before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each Class, that each Holder of a Claim or Interest in such Class either: (a) has accepted the Plan; or (b) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such person would receive or retain if Debtors liquidated under chapter 7 of the Bankruptcy Code.

In chapter 7 liquidation cases, unsecured creditors and interest holders of a debtor are paid from available assets generally in the following order, with no junior Class receiving any payments until all amounts due to senior Classes have been paid fully or any such payment is provided for:

- Secured creditors (to the extent of the value of their collateral);
- Priority creditors;
- Unsecured creditors;
- Debt expressly subordinated by its terms or by order of the Bankruptcy Court; and
- Equity interest holders.

As described in more detail in the Liquidation Analysis set forth below, Plan Proponents believe that the value of any distributions in a chapter 7 case would be less than the value of Distributions under the Plan because, among other reasons, distributions in a chapter 7 case may not occur for a longer period of time, thereby reducing the present value of such distributions. In this regard, it is possible that distribution of the proceeds of a liquidation could be delayed for a period in order for a chapter 7 trustee and its professionals to become knowledgeable about the chapter 11 case and the Claims against Debtors. In addition, proceeds received from the remaining assets in a chapter 7 liquidation are likely to be significantly discounted due to the unfamiliarity of a chapter 7 trustee with such assets, and the fees and expenses of a chapter 7 trustee would likely exceed those of the Professionals retained by Debtors' estates and the Creditor Trust (thereby further reducing Cash available for distribution). Consequently, holders of Class 2 Claims will receive more under the Plan than they would receive in a liquidation.

E. Chapter 7 Liquidation Analysis

In order to estimate the results to creditors in a chapter 7 liquidation, Debtors prepared a liquidation analysis that provides an estimate of the proceeds that may be generated as a result of a hypothetical chapter 7 liquidation for Debtors (the "Liquidation Analysis"). While Debtors believe that the assumptions underlying the Liquidation Analysis are reasonable, it is possible that certain of those assumptions would not be realized in an actual liquidation. The Liquidation Analysis is set forth as Appendix B to this Disclosure Statement.

Notwithstanding the foregoing, Debtors and Committee believe that any liquidation analysis with respect to Debtors is inherently speculative. The Liquidation Analysis necessarily contains estimates of the net proceeds that would be received through a chapter 7 trustee's liquidation of the

remaining assets, as well as the amount of Claims that will ultimately become Allowed Claims. These estimates should not be relied on for any other purpose, including, without limitation, any determination of the value of any Distribution to be made on account of Allowed Claims under the Plan.

F. Application of the Best Interests of Creditors Test to the Liquidation Analysis

In this case, Debtors have sold most of their assets, with the remaining assets to be liquidated and distributed pursuant to the Plan. A liquidation under chapter 7 would accomplish the same result but with the additional cost of chapter 7 trustee fees and the cost of administering and proceeding with a chapter 7 case. Additionally, Debtors and Committee believe that the Estates has a better chance to collect certain post-Petition Date receivables due to the structured process under the Plan as opposed to the “fire sale” nature of a chapter 7 case. The recovery available in a chapter 7 liquidation to creditors in each Impaired Class in these Chapter 11 Cases would be substantially less because of the additional administrative costs associated with a chapter 7 trustee and professionals not familiar with Debtors’ Chapter 11 Cases. Accordingly, the “best interests” test of section 1129(a)(7) of the Bankruptcy Code is satisfied because the members of each Impaired Class will receive greater or equal value under the Plan than they would in a chapter 7 liquidation.

Specifically, the Plan projects a recovery to Holders of Allowed Class 2 General Unsecured Claims in a range of 19.5% - 33%, while the chapter 7 Liquidation Analysis projects a recovery of 19%. Recovery under the Plan is therefore better than it would be in a chapter 7 liquidation.

Accordingly, Debtors and Committee believe that the “best interests” test of section 1129 of the Bankruptcy Code is satisfied because the members of each Impaired Class will receive greater or equal value under the Plan than they would in a liquidation. Although Debtors and Committee believe that the Plan meets the “best interests test” of section 1129(a)(7) of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will determine that the Plan meets this test.

G. Confirmation Without Acceptance of All Impaired Classes: The ‘Cramdown’ Alternative

In view of the deemed rejection by Holders of Class 3 Intercompany Claims and Class 4 Interests, Debtors and Committee will seek Confirmation of the Plan pursuant to the “cramdown” provisions of section 1129 of the Bankruptcy Code. Specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. The Bankruptcy Court may confirm the Plan at the request of a Plan Proponent if the Plan “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the Plan. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

Debtors and Committee believe the Plan does not discriminate unfairly with respect to Holders of Class 3 Intercompany Claims and Class 4 Interests. Holders of Intercompany Claims in Class 3 and Holders of Interests in Class 4 are not receiving any Distribution under the Plan and are not entitled to payment under the absolute priority rule until all Class 1 and Class 2 creditors have been paid in full.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides: (i) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest; or (ii) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property at all.

Debtors and Committee believe that the Plan will meet the “fair and equitable” requirements of section 1129(b) of the Bankruptcy Code with respect to Holders of Class 3 Intercompany Claims and Class 4 Interests. No Claim or Interest Holder junior to Holders of Class 3 Intercompany Claims and Class 4 Interests is receiving any recovery pursuant to their Claim or Interest, thereby satisfying section 1129(b) with respect to Class 3 and Class 4.

The Plan reserves the right of Debtors and Committee to seek Confirmation of the Plan through cramdown with respect to any other Class that is determined to be impaired or any creditor that has not accepted or is deemed not to have accepted the Plan pursuant to section 1126 of the Bankruptcy Code, including, to the extent necessary, Disputed Claims not entitled to vote under the Plan. However, notwithstanding subsection 1129(b) of the Bankruptcy Code, the Bankruptcy Court may not confirm the Plan unless at least one Impaired Class has voted to accept the Plan, without regard to any acceptance of the Plan by any Insider. Class 2, consisting of all Unsecured Claims that are not Administrative Claims, Priority Tax Claims, or Priority Claims, is the only Impaired Class entitled to vote to accept or reject the Plan. Accordingly, if Class 2 does not vote to accept the Plan, the Bankruptcy Court cannot confirm the Plan.

X. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Debtors and Committee believe that the Plan affords Holders of Claims the potential for the greatest recovery and, therefore, is in the best interests of such Holders.

If, however, the requisite acceptances are not received, or the Plan is not confirmed and consummated, the theoretical alternatives include: (i) formulation of an alternative plan of liquidation; or (ii) liquidation of Debtors under chapter 7 of the Bankruptcy Code.

If the Plan is not confirmed, Debtors or any other party in interest could attempt to formulate a different plan. Such a plan might involve an orderly liquidation of Debtors’ assets. With respect to an alternative plan, Plan Proponents have explored various alternatives in connection with the formulation and development of the Plan. Plan Proponents believe that the Plan, as described herein, enables creditors to realize the most value under the circumstances. Furthermore, any Distributions to the Holders of Claims under a different chapter 11 plan of liquidation would likely be substantially delayed.

If no plan is confirmed, Debtors may be forced to liquidate under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate Debtors’ assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Interests in Debtors. As noted above and in the Liquidation Analysis, however, Debtors and Committee believe that in a liquidation under chapter 7, before creditors receive any Distribution, additional administrative expenses involved in the appointment of

a trustee or trustees and attorneys, accountants and other professionals to assist such trustees would cause a substantial diminution in the value of Debtors' Estates. The assets available for distribution to creditors would be reduced by such additional expenses.

Accordingly, Debtors and Committee believe that any alternative liquidation under chapter 7 or 11 is a much less attractive alternative to creditors than the Plan because of the greater return Debtors and Committee believe is provided to creditors under the Plan.

XI. MISCELLANEOUS PROVISIONS

A. Attachments; Entire Agreement

All attachments to the Disclosure Statement are incorporated herein by reference and are intended to be an integral part of this document as though fully set forth in the Disclosure Statement.

B. Plan Amendments

The Plan Proponents reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, in their discretion, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. Upon entry of the Confirmation Order, the Plan Proponents may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such Holder and the votes of each Class for or against the Plan shall be counted and used in connection with the modified plan of reorganization.

C. Governing Law

Except to the extent that the Bankruptcy Code or Bankruptcy Rules are applicable, the rights and obligations arising under this Disclosure Statement and the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Illinois, without giving effect to any conflicts of law principles.

D. No Admissions

Notwithstanding anything here and to the contrary, nothing contained in this Disclosure Statement shall be deemed as an admission by any Person with respect to any matter set forth herein.

XII. CONCLUSION AND RECOMMENDATION

Debtors and Committee believe that Confirmation and implementation of the Plan is preferable to any other alternative and recommend that creditors vote in favor of the Plan.

Dated: January 7, 2020

Respectfully submitted,

PERFECT BROW ART, INC., *ET AL.*

By: /s/ Rhonda Liedtke
Its Responsible Person

APPENDIX A – PLAN OF LIQUIDATION

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:

Perfect Brow Art, Inc., *et al.*,¹

Debtors.

Chapter 11

Case No. 19-01811

(Jointly Administered)

Honorable Donald R. Cassling

JOINT CHAPTER 11 LIQUIDATING PLAN

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¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: (i) Perfect Brow Art, Inc. (5731), (ii) Perfect Brow Florida, Inc. (5602), (iii) Perfect Brow Puerto Rico, Inc. (3497), (iv) Perfect Brow New York, Inc. (2041), (v) Locks Rock, Inc. (5046), (vi) P.B. Art Franchise, Inc. (0026), (vii) Perfect Brow Oakland, Inc. (5727), and (viii) Ooh La La Beauty Bar Franchise, Inc. (0714).

TABLE OF CONTENTS

I. DEFINITIONS & RULES OF CONSTRUCTION	1
A. Defined Terms.	1
B. Rules of Interpretation and Computation of Time.	9
II. CLASSIFICATION & TREATMENT OF CLAIMS.....	9
A. General Overview	9
B. Unclassified Claims	10
C. Administrative Expense Claims.....	10
D. Priority Tax Claims.....	10
E. Classified Claims & Interests.....	11
III. ACCEPTANCE OR REJECTION OF THE PLAN	12
A. Voting Classes	12
B. Acceptance by Impaired Classes	12
C. Presumed Rejection of the Plan	13
D. Nonconsensual Confirmation.....	13
IV. MEANS OF IMPLEMENTING THE PLAN	13
A. Substantive Consolidation	13
B. Bonuses	14
C. Vesting of Assets in the Creditor Trust.....	14
D. Creditor Trust Administration.....	15
E. Transfer, Prosecution, Preservation, and Resolution of Estate Causes of Action	18
F. Distributions Under the Plan Made by the Creditor Trustee	20
V. EXCULPATION	24
A. Exculpation	24
B. No Liability for Solicitation or Participation	24
C. Good Faith	25
VI. EFFECTIVENESS OF THE PLAN	25
A. Acceptance or Rejection of Plan.....	25
B. Conditions Precedent	25
C. Effective Date	26
D. Confirmation Request	26
E. Termination of Committee.....	26
F. Officers & Directors of Debtors	26
G. Notice of Effective Date	26

VII. EFFECT OF CONFIRMATION	26
A. Injunction	26
B. Non-Discharge of Debtors	28
C. Withdrawal or Modification of Plan	28
D. Final Decree	28
VIII. ADDITIONAL PROVISIONS	29
A. Executory Contracts & Unexpired Leases	29
B. Administrative Expense Bar Date	29
C. Exhibits	30
D. Exemption from Stamp, Transfer, & Other Taxes	30
E. Headings	30
F. Binding Effect	30
G. Governing Law	30
H. Other Documents & Actions	31
I. Notices	31
J. Severability of Plan Provisions	32
K. Successors & Assigns	32
L. Effectiveness of Court Orders	32
M. No Waiver	32
N. Inconsistencies	32
O. Implementation of Bankruptcy Code § 1142	32
P. Setoffs & Recoupments	33
Q. Retention of Jurisdiction	33
R. Waiver of 14 Day Stay	34
S. Substantial Consummation	34
T. Conflicts	35
U. Payment of Statutory Fees	35
V. Further Information	35

JOINT CHAPTER 11 LIQUIDATING PLAN

Perfect Brow Art, Inc., Perfect Brow Florida, Inc., Perfect Brow Puerto Rico, Inc., Perfect Brow New York, Inc., Locks Rock, Inc., P.B. Art Franchise, Inc., Perfect Brow Oakland, Inc., and Ooh La La Beauty Bar Franchise, Inc., the debtors and debtors-in-possession in the above-captioned bankruptcy cases, and the Official Committee of Unsecured Creditors, through their respective undersigned counsel, propose this chapter 11 liquidating plan pursuant to § 1121(a) of the Bankruptcy Code for resolution of all Claims against and Interests in the Debtors and their Estates.

The Disclosure Statement, which accompanies the Plan, discusses the Debtors' history, businesses, and Chapter 11 Cases. It also provides estimates of the distributions of the Debtors' remaining Assets to Creditors and contains a summary and discussion of the Plan. Holders of Claims are encouraged to read the Disclosure Statement before voting to accept or reject the Plan.

Following solicitation of acceptances for the Plan, the Debtors will seek the Bankruptcy Court's Confirmation of the Plan. No solicitation materials other than the Disclosure Statement and any schedules, exhibits or other documents attached to such documents or referenced by such documents have been authorized by the Debtors or the Bankruptcy Court for use in soliciting acceptances or rejections of the Plan.

SECTION I DEFINITIONS & RULES OF CONSTRUCTION

A. Defined Terms

As used in this Plan, the following terms have the respective meanings specified below (such meanings to be equally applicable to both the singular and plural, and masculine and feminine forms of the terms defined).

1. **"Administrative Expense"** means any cost or expense of administration of the Chapter 11 Cases under §§ 503(b) and 507(a)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary post-Petition Date expenses of preserving the Estates, any actual and necessary post-Petition Date expenses of administering the Estates, the Bonuses, all Professional Fee Claims to the extent allowed by the Bankruptcy Court under §§ 330, 331, 363 or 503 of the Bankruptcy Code, and any fees or charges assessed against the Estates under § 1930 of title 28 of the United States Code.
2. **"Administrative Expense Bar Date"** means the applicable date on which an Administrative Expense Claim, including but not limited to any Claim under § 503(b)(9) of the Bankruptcy Code, must be Filed, as established by Section VIII.B. of the Plan.
3. **"Allowed"** means with respect to any Claim or Interest: (i) a Claim or Interest that is evidenced by a proof of Claim or proof of Interest, as applicable, Filed by the applicable Claims Bar Date (or for which Claim or Interest a proof of Claim is not required to be

Filed under the Plan, the Bankruptcy Code, or a Final Order of the Bankruptcy Court); (ii) that has been listed by the Debtors in the Schedules as liquidated in amount and not disputed or contingent, and with respect to which no contrary proof of Claim or proof of Interest has been Filed; or (iii) a Claim or Interest allowed pursuant to the Plan or a Final Order of the Bankruptcy Court. However, with respect to a Claim or Interest described in clauses (i) and (ii) above, such Claim or Interest will be considered Allowed only if and to the extent that with respect to such Claim or Interest 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 Bankruptcy Court, or such an objection is so interposed and the Claim or Interest has been Allowed for voting purposes only by a Final Order. Any portion of a Claim that is satisfied or released during the Chapter 11 Cases is not an Allowed Claim.

4. **“Allowed Claim”** means a Claim that is Allowed.
5. **“Allowed Class ____ Claim”** means an Allowed Claim in the Class specified.
6. **“Assets”** means all assets of the Debtors’ Estates including “property of the estate” as described in § 541 of the Bankruptcy Code and includes, without limitation: Cash, Estate Causes of Action, any and all claims and causes of action that may be asserted by the Debtors against any third party or third parties, proceeds of insurance and Insurance Policies, all rights and interests, all personal property, and all files, books, and records of the Debtors’ Estates.
7. **“Avoidance Action”** means any claim or right of the Debtors arising under Bankruptcy Code §§ 542, 544, 545, 547, 548, 549, 550, 551 and 553(b), whether or not litigation has been commenced with respect to such Estate Causes of Action as of the Effective Date.
8. **“Ballot”** means the ballot upon which Holders of Impaired Claims must indicate their acceptance or rejection of the Plan according to the Plan and the Voting Instructions.
9. **“Bankruptcy Code”** means title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*, as amended.
10. **“Bankruptcy Court”** means the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, or, in the event such court ceases to exercise jurisdiction over the Chapter 11 Cases, such other court that exercises jurisdiction over the Chapter 11 Cases.
11. **“Bankruptcy Rules”** means, collectively, (i) the Federal Rules of Bankruptcy Procedure, as amended from time to time, and as applicable to the Chapter 11 Cases; and (ii) the Local Bankruptcy Rules applicable to cases pending before the Bankruptcy Court, currently in effect or as amended from time to time.

12. **“Bar Date Order”** means the order entered by the Bankruptcy Court on March 19, 2019, (Dkt. 179) setting the Claims Bar Date and the Governmental Unit Bar Date.
13. **“Beneficiaries”** means the Holders of Allowed Claims who are the beneficiaries of the Creditor Trust.
14. **“Bonuses”** means bonuses in the aggregate amount of \$50,000, to be paid on the Effective Date, consisting of: (i) \$25,000 to the Debtors’ co-bookkeeper (operating statements, insurance, human resources and legal); and (ii) \$25,000 to the Debtors’ co-bookkeeper (all lease related issues).
15. **“Bookkeepers”** means the Debtors’ co-bookkeepers, one who was responsible for the Debtors’ operating reports, insurance, human resources and legal and the other was responsible for lease related issues.
16. **“Business Day”** means any day that is not a Saturday, Sunday, or “legal holiday” as defined in Bankruptcy Rule 9006(a).
17. **“Cash”** means cash or cash equivalents.
18. **“Chapter 11 Cases”** means the cases under chapter 11 of the Bankruptcy Code, commenced by the Debtors on the Petition Date in the Bankruptcy Court, jointly administered as “*Perfect Brow Art, Inc., et al.*” and assigned lead Case No. 19-01811.
19. **“Claim”** means (i) any right to payment from the Debtors’ Estates, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured; or (ii) any right to an equitable remedy for breach of performance if such breach gives rise to a right of payment from the Debtors’ Estates, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.
20. **“Claims Agent”** means Stretto, which was appointed as the claims, noticing, and balloting agent in the Chapter 11 Cases.
21. **“Claims Bar Date”** means May 6, 2019, which is the general deadline set pursuant to the Bar Date Order for filing proofs of claim for any Claims against the Debtors that arose before the Petition Date.
22. **“Class”** means one of the Classes of Claims or Interests designated in the Plan.
23. **“Committee”** means the Official Committee of Unsecured Creditors appointed in the Chapter 11 Cases on February 13, 2019 pursuant to § 1102 of the Bankruptcy Code. (Dkt. 96.)

24. **“Conditions Precedent”** bears the meaning given to it in Section VI.B of the Plan.
25. **“Confirmation”** means the entry of the Final Order by the Bankruptcy Court confirming the Plan pursuant to § 1129 of the Bankruptcy Code.
26. **“Confirmation Date”** means the date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on its docket.
27. **“Confirmation Hearing”** means, collectively, the hearing or hearings held by the Bankruptcy Court on Confirmation of the Plan, as such hearing or hearings may be continued from time to time.
28. **“Confirmation Order”** means the order of the Bankruptcy Court confirming the Plan in accordance with the provisions of chapter 11 of the Bankruptcy Code.
29. **“Creditor”** means all creditors of the Debtors holding Claims for debts, liabilities, demands or other Claims of any character whatsoever.
30. **“Creditor Trust”** means a common law trust to be established under the Plan, the Creditor Trust Agreement, and the Confirmation Order for the sole and exclusive benefit of the Beneficiaries. The Creditor Trust will liquidate and distribute the Creditor Trust Assets according to the Creditor Trust Agreement.
31. **“Creditor Trust Agreement”** means the agreement to be executed as soon as reasonably practicable after the Confirmation Date among the Debtors, the Committee, and the Creditor Trustee, which will govern the obligations of the Creditor Trustee with respect to oversight of the Distribution of the Net Proceeds of the Creditor Trust Assets, as further set forth in the Creditor Trust Agreement and the Plan.
32. **“Creditor Trust Assets”** means the Assets to be transferred to and vested in the Creditor Trust pursuant to the Plan and the Confirmation Order, plus all proceeds, earnings and replacements arising from or relating to those Creditor Trust Assets and all assets acquired by the Creditor Trust at any time. The Creditor Trust Assets include, without limitation: (i) all Cash held by the Debtors; (ii) any remaining personal property owned by the Debtors as of the Effective Date; (iii) all Estate Causes of Action; and (iv) the Insurance Policies.
33. **“Creditor Trustee”** means Fred C. Caruso of the consulting firm Development Specialists, Inc.—including any replacement trustee or successor in interest to the Creditor Trustee—who shall serve as custodian for the Creditor Trust and to oversee the liquidation and Distribution of the Creditor Trust Assets held in the Creditor Trust for the benefit of the Beneficiaries pursuant to the Plan, the Confirmation Order, and the Creditor Trust Agreement.

- 34. “Debtors”** means the debtors and debtors in possession in the Chapter 11 Cases, each of which may be referred to individually as a “Debtor”: Perfect Brow Art, Inc., Perfect Brow Florida, Inc., Perfect Brow Puerto Rico, Inc., Perfect Brow New York, Inc., Locks Rock, Inc., P.B. Art Franchise, Inc., Perfect Brow Oakland, Inc., and Ooh La La Beauty Bar Franchise, Inc.
- 35. “Debtors’ Sole Shareholder and President”** means Elizabeth Porikos-Gorgees.
- 36. “Disallowed Claim”** means a Claim or any portion of a Claim that (i) has been disallowed by agreement with a Creditor; (ii) has been disallowed by a Final Order; (iii) is listed in the Schedules as being an unknown amount, as zero, as contingent, disputed, or unliquidated, or is not listed in the Schedules, and as to which no proof of Claim or Administrative Expense Claim has been Filed; or (iv) has been withdrawn by the applicable Creditor. Any Claim or Interest that has been or is hereafter listed in the Schedules as contingent, unliquidated, or disputed, and for which no proof of Claim or proof of Interest is or has been timely Filed will be deemed a Disallowed Claim and expunged on the Effective Date without further action by the Debtors and without further notice to any party or action, approval, or order of the Bankruptcy Court.
- 37. “Disclosure Statement”** means that certain document entitled “Disclosure Statement With Respect to the Joint Plan of Liquidation of the Debtors and the Committee” Filed in the Chapter 11 Cases, including its attached exhibits, either in its present form or as it may later be amended, modified, or supplemented. (Dkt. __.)
- 38. “Disputed Claim”** means any Claim (i) which is listed in any of the Schedules of the Debtors as unliquidated, disputed, contingent, or unknown, and for which no proof of Claim has been Filed; (ii) as to which a proof of Claim has been Filed and the dollar amount of such Claim is not specified in a fixed amount; or (iii) as to which the Debtors, Creditor Trustee or any other party in interest have interposed a timely objection or request for estimation in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Plan and/or any order of the Bankruptcy Court, which objection or request for estimation has not been withdrawn or determined by a Final Order.
- 39. “Distribution”** means any transfer under the Plan of Cash or other property or instruments to a Holder of an Allowed Claim.
- 40. “Effective Date”** means the date selected by the Plan Proponents which is a Business Day after the Confirmation Order on which: (i) no stay of the Confirmation Order is in effect, and (ii) all conditions specified in VI.B. of the Plan have been satisfied, unless waived by the Plan Proponents.
- 41. “Estate Cause of Action”** means any and all manner of causes of action, claims, obligations, suits, debts, judgments, demands, rights of offset or recoupment, damages

(actual, compensatory, or punitive), counterclaims or affirmative defenses, whatsoever, whether in law or in equity of the Debtors and Estates, whether asserted or could be asserted by the Debtors, the Committee, or any other Person on behalf of the Estates, including but not limited to Avoidance Actions, any pending proceedings initiated by the Committee pursuant to Bankruptcy Rule 2004 (except as such claims may be subject to exculpation under Section V.A. of the Plan), and any and all claims against the Debtors' Sole Shareholder and President arising before or after the Petition Date.

42. **"Estates"** means the estates created under § 541(a) of the Bankruptcy Code on the Petition Date.
43. **"Exculpated Parties"** means, collectively, and in each case in its capacity as such: (a) the Committee and its individual members; (b) (i) Levenfeld & Pearlstein, LLC; (ii) Goldstein & McClintock LLLP; (iii) the Claims Agent; (iv) CBIZ Accounting Tax & Advisory Services; (v) Schoenberg Finkel Newman & Rosenberg LLC a/k/a SFNR, LLC; (vi) Ravinia Capital, LLC; and (vii) Sugar Felsenthal Grais & Helsinger LLP; and (c) each of their respective current and former directors, officers, equity holders, employees, partners, and managers.
44. **"File," "Filed," or "Filing"** means any document properly and timely filed with the Bankruptcy Court in the Chapter 11 Cases, as reflected on the official docket of the Bankruptcy Court for the Chapter 11 Cases.
45. **"Final Distribution Date"** means the date of the last payment to Holders of Allowed Claims in accordance with the provisions of the Plan.
46. **"Final Order"** means an order or judgment of the Bankruptcy Court or other applicable court as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing are then pending; or as to which any right to appeal, reargue, rehear, or petition for certiorari has been waived in writing in form and substance satisfactory to the Plan Proponents before the Effective Date, or the Creditor Trustee after the Effective Date—or—in the event that an appeal, writ of certiorari, reargument or rehearing thereof has been sought, such order or judgment of the Bankruptcy Court or other applicable court will have been affirmed by the highest court to which such order or judgment was appealed, or from which reargument or rehearing was sought, or certiorari will have been denied, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing will have expired.
47. **"General Unsecured Claim"** means any Claim that is not an Administrative Expense Claim, Priority Tax Claim, a Claim classified in Class 1, an Intercompany Claim classified in Class 3, or an Interest classified in Class 4.

48. **“Governmental Unit Bar Date”** means July 22, 2019, which is the deadline set pursuant to the Bar Date Order for filing proofs of Claim on behalf of any governmental unit, as defined in § 101(27) of the Bankruptcy Code, for any Claims against the Debtors that arose before the Petition Date.
49. **“Holder”** means the owner of a Claim or Interest.
50. **“Impaired”** has the meaning set forth in § 1124 of the Bankruptcy Code.
51. **“Insurance Policies”** mean any insurance policies under which the Debtors may be a beneficiary, including: all insurance policies that may have expired before the Petition Date; all insurance policies in existence on the Petition Date; all insurance policies entered into by the Debtors after the Petition Date; and all insurance policies under which the Debtors hold rights to make, amend, prosecute and benefit from claims.
52. **“Intercompany Claim”** means any and all Claims of any one Debtor against any one or more of another Debtor.
53. **“Interest”** means any equity interest in the Debtors.
54. **“Lien”** has the meaning set forth in § 101(37) of the Bankruptcy Code.
55. **“Local Bankruptcy Rules”** means the Local Bankruptcy rules for the United States Bankruptcy Court, Northern District of Illinois, As amended, Effective April 16, 2018, as the same may be amended from time to time thereafter.
56. **“Net Proceeds”** means all Cash proceeds received by the Creditor Trustee from time to time from the sale or other disposition of the Creditor Trust Assets, net of the reasonable and necessary costs of such sale or other disposition, including reasonable fees and expenses of the Creditor Trustee’s legal counsel and other Professionals incurred in connection therewith.
57. **“Oversight Committee”** means a post-Confirmation oversight committee comprised of representatives from the Committee (or a Committee designee, should no member of the Committee be willing to serve) to monitor the activities of the Creditor Trustee.
58. **“Person”** means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization or other entity.
59. **“Petition Date”** means January 22, 2019, the date on which the Debtors Filed their voluntary petitions commencing the Chapter 11 Cases.

60. **“Plan”** means this chapter 11 liquidating plan, including all exhibits attached to this chapter 11 liquidating plan, either in their present form or as they may be altered, amended, or modified from time to time.
61. **“Plan Objection Deadline”** means the deadline established by the Bankruptcy Court for filing and serving objections to Confirmation of the Plan.
62. **“Plan Proponents”** means the Debtors and the Committee.
63. **“Post-Effective Date Notice Party”** has the meaning set forth in Section VIII.I. of the Plan.
64. **“Priority Claim”** means any Claim entitled to priority under § 507(a) of the Bankruptcy Code, other than an Administrative Expense Claim or a Priority Tax Claim.
65. **“Priority Tax Claim”** means a Claim of a governmental unit of the kind specified in § 507(a)(8) of the Bankruptcy Code.
66. **“Professional Fee Claim”** means Claims of Professionals for compensation for services rendered in these Chapter 11 Cases pursuant to §§ 327, 328, 330, 331, 363, 503 or 1103 of the Bankruptcy Code.
67. **“Professionals”** means Persons, including attorneys, accountants and financial advisors retained by the Debtors, the Committee, or the Creditor Trustee, or to be compensated pursuant to §§ 327, 328, 330, 331, 363, 503 or 1103 of the Bankruptcy Code.
68. **“Pro Rata,” “Pro Rata Share,” and “Pro Rata Basis”** means, at any time, the proportion that the face amount of a Claim in a particular Class bears to the aggregate face amount of all Claims (including Disputed Claims, but excluding Disallowed Claims) in such Class; and “face amount,” as used in the Plan, means (i) when used in reference to a Disputed Claim, the full stated liquidated amount claimed by the Holder of the Claim in any proof of Claim timely Filed with the Bankruptcy Court or otherwise deemed timely Filed by any Final Order of the Bankruptcy Court or other applicably bankruptcy law; and (ii) when used in reference to an Allowed Claim, the allowed amount of such Claim.
69. **“Rejection Damage Claim”** means a Claim for any obligations or damages arising under an unexpired real property or personal property lease, or executory contract, that the Estates reject under § 365 of the Bankruptcy Code or pursuant to the terms of the Plan.
70. **“Schedules”** means the schedules of assets and liabilities, list of equity security holders, and statement of financial affairs Filed by the Debtors as required by § 521(a)(1) of the Bankruptcy Code, Bankruptcy Rules 1007(a)(1), (3), and (b)(1), and Official Bankruptcy Form numbers 6 and 7, as amended from time to time.

71. **“Substantive Consolidation Order”** means the order, or provision of the Confirmation Order, substantively consolidating the Chapter 11 Cases as provided in Section IV.A. of the Plan.
72. **“Trustee’s Expenses”** means the reasonable fees, costs and expenses incurred by the Creditor Trustee and any Professionals retained by it in connection with the performance of its duties and responsibilities under the Plan and the Creditor Trust Agreement, as well as any other reasonable and necessary costs of administration of the Creditor Trust, including U.S. Trustee fees incurred during the post-Confirmation Date period, which may be paid from the Creditor Trust Assets.
73. **“Unclassified Claims”** means a Claim not required to be placed in a Class under § 1123 of the Bankruptcy Code.
74. **“Unimpaired”** means with respect to a Claim or a Class, a Claim or Class that is unimpaired within the meaning of § 1124 of the Bankruptcy Code.
75. **“Voting Deadline”** means 4:00 p.m. (Mountain Prevailing Time) on the date established by order of the Bankruptcy Court for receipt of Ballots voting to accept or reject the Plan.
76. **“Voting Instructions”** means the instructions provided in the Disclosure Statement and Order approving *Plan Proponents’ Joint Motion Seeking (A) Conditional Approval of Disclosure Statement; (B) Combined Hearing to Approve Disclosure Statement & Confirm Plan; (C) Approval of Procedures for Soliciting & Tabulating Votes on Plan, & (D) Approval of Related Matters.* (Dkt. [REDACTED].)

B. Rules of Interpretation and Computation of Time

For purposes of the Plan, unless otherwise provided: (i) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (ii) any reference to any entity as a Holder of a Claim or Interest includes the entity’s successors and assigns; (iii) captions and headings to articles and sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (iv) the rules of construction set forth in § 102 of the Bankruptcy Code will apply; and (v) in computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

SECTION II CLASSIFICATION & TREATMENT OF CLAIMS

A. General Overview

The chart below summarizes the Classes of Claims and Interests for all purposes, including voting, Confirmation, and Distribution purposes pursuant to the Plan.

Class	Description	Status	Voting Rights
1	Priority Claims	Unimpaired	Not Entitled to Vote
2	General Unsecured Claims	Impaired	Entitled to Vote
3	Intercompany Claims	Impaired	Not Entitled to Vote
4	Interests	Impaired	Not Entitled to Vote

B. Unclassified Claims

In accordance with § 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims have not been classified. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately according to the Plan and according to the requirements set forth in § 1129(a)(9) of the Bankruptcy Code.

C. Administrative Expense Claims

Subject to the allowance procedures and deadlines provided in the Plan, the Creditor Trustee or the Debtors will pay to each Holder of an Allowed Administrative Expense Claim, on account of the Allowed Administrative Expense Claim, and in full satisfaction thereof, Cash equal to the amount of such Allowed Administrative Expense Claim, unless the Holder agrees to other treatment. Except as otherwise provided in the Plan or in a prior order of the Bankruptcy Court: (i) payment of an Administrative Expense Claim that is an Allowed Claim as of the Effective Date, will be made on the later of 30 days after the Effective Date or the date such payment would have become due for payment of such Allowed Administrative Expense Claim in the absence of the Chapter 11 Cases, whether pursuant to contract or applicable non-bankruptcy law; and (ii) payment of an Administrative Expense Claim that becomes an Allowed Claim following the Effective Date must be made on or before the date that is 30 days after an order deeming such Administrative Expense Claim an Allowed Claim becomes a Final Order. Any Person or entity asserting to be a Holder of an Administrative Expense Claim, including for final allowance of Professional Fee Claims, will have the time period set forth in Section VIII.B. of the Plan in which to File requests for payment of such Claims in the Chapter 11 Cases.

D. Priority Tax Claims

Except as otherwise agreed to by the parties, or ordered by the Bankruptcy Court, as soon as practicable after the Effective Date, each Holder of an unpaid Allowed Priority Tax Claim will receive payment in full in an amount equal to the Allowed Priority Tax Claim.

Except as otherwise provided in § 503(b)(1)(D) of the Bankruptcy Code and 28 U.S.C. § 960, all requests for payment of Claims by a governmental unit (as defined under § 101(27) of the Bankruptcy Code) for taxes (and for interest and/or penalties related to such taxes) for any tax year or period, all or any portion of which occurs or falls within the period from and including the Petition Date through and including the Effective Date must have been Filed with the Bankruptcy Court on or before the Governmental Unit Bar Date.

Except as otherwise provided in § 503(b)(1)(D) of the Bankruptcy Code and 28 U.S.C. § 960, any Holder of a Claim for taxes who does not File such Claim by the applicable bar date will be forever barred from asserting any such Claim against the Debtors, the Estates, the Creditor Trust, the Creditor Trustee, or any of their respective property, whether any such Claim is deemed to arise before, on, or after the Effective Date, and will receive no Distribution under the Plan or otherwise on account of such Claim

E. Classified Claims & Interests

The treatment of Claims and Interests under the Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each Holder of a Claim or Interest may have in or against the Debtors or their Estates. This treatment supersedes and replaces any agreements or rights that those entities have in or against the Debtors or their Estates.

Class 1: Priority Claims

Classification Class 1 consists of the Priority Claims against the Debtors, including those arising under §§ 507(a)(4), (5), and (7) of the Bankruptcy Code, other than Priority Tax Claims.

Treatment Allowed Class 1 Priority Claims are Unimpaired by the Plan and will be paid by the Creditor Trustee in order of the priorities set forth in § 507 of the Bankruptcy Code in full in Cash as soon as practicable following the later of: (i) the Effective Date and (ii) the date such Class 1 Priority Claim becomes an Allowed Claim (or otherwise as permitted by law); provided, however, that any Person holding a Class 1 Priority Claim may be treated on such less favorable terms as may be agreed to in writing by such Person.

Voting Class 1 is an Unimpaired Class and Holders of Class 1 Claims are not entitled to vote on the Plan.

Class 2: General Unsecured Claims

<i>Classification</i>	Class 2 consists of the Claims of Holders of General Unsecured Claims.
<i>Treatment</i>	Holders of Allowed Class 2 Claims will be paid Pro Rata from the Net Proceeds distributed by the Creditor Trustee in accordance with the Creditor Trust Agreement.
<i>Voting</i>	Class 2 is an Impaired Class and Holders of Class 2 Claims are entitled to vote to accept or reject the Plan.

Class 3: Intercompany Claims

<i>Classification</i>	Class 3 consists of Holders of Intercompany Claims.
<i>Treatment</i>	Holders of Class 3 Claims shall not receive a Distribution under the Plan, and their Claims shall be extinguished as of the Effective Date
<i>Voting</i>	Class 3 is an Impaired Class and Holders of Class 3 Claims are not entitled to vote to accept or reject the Plan.

Class 4: Interest Holders

<i>Classification</i>	Class 4 consists of the Holders of the Debtors' Interests
<i>Treatment</i>	Holders of Class 4 Interests shall not receive a Distribution under the Plan, and their Interests shall be canceled and extinguished as of the Effective Date
<i>Voting</i>	Class 4 is an Impaired Class and Holders of Class 4 Interests are not entitled to vote to accept or reject the Plan.

**SECTION III
ACCEPTANCE OR REJECTION OF THE PLAN**

A. Voting Classes

Each Holder of an Allowed Claim in Class 2 is entitled to vote either to accept or to reject the Plan. Only those votes cast by Holders of Allowed Claims will be counted in determining whether acceptances have been received in sufficient number and amount to obtain Confirmation.

B. Acceptance by Impaired Classes

An Impaired Class of Claims will have accepted the Plan if: (i) the Holders (other than any Holder designated under § 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan; and (ii) the Holders

(other than any Holder designated under § 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually voting in such Class have voted to accept the Plan. Class 1 is deemed to have accepted the Plan and is not entitled to vote.

C. Presumed Rejection of the Plan

The Holders of Class 3 Intercompany Claims and Class 4 Interests will not be receiving any Distributions under the Plan and are therefore deemed to reject the Plan and are not entitled to vote.

D. Nonconsensual Confirmation

Because Classes 3 and 4 are deemed to reject the Plan by operation of law, the Debtors will request that the Bankruptcy Court confirm the Plan in accordance with § 1129(b) of the Bankruptcy Code. Without limiting the foregoing, in the event that any Class of Claims entitled to vote on the Plan fails to accept the Plan as required by § 1129(a) of the Bankruptcy Code, the Plan may be amended and, in any event, the Debtors reserve the right to seek Confirmation of the Plan over such rejection under § 1129(b) of the Bankruptcy Code.

SECTION IV MEANS OF IMPLEMENTING THE PLAN

On or soon as practicable after the Effective Date, the following shall occur with respect to the implementation of the Plan: (i) all acts, documents and agreements appropriate to implement the Plan shall be executed; (ii) the Creditor Trustee under the Plan, shall make all Distributions required to be made on or about the Effective Date of the Plan in accordance with the terms and conditions of the Plan; and (iii) the Creditor Trustee shall make all Distributions pursuant to the terms of the Creditor Trust Agreement.

Upon the Effective Date, all transactions and matters provided for under the Plan shall be deemed to have been authorized and approved by the Debtors without any requirement of further action by the Debtors, or Holders of Interests in the Debtors.

A. Substantive Consolidation

(1) Substantive Consolidation Motion and Order

The Plan will serve as a motion seeking entry of an order substantively consolidating these Chapter 11 Cases for Distribution and voting purposes. Unless an objection to substantive consolidation is made in writing by any Creditor affected by the Plan, as provided by the Plan, on or before the Plan Objection Deadline, an order substantively consolidating these Chapter 11 Cases for Distribution and voting purposes may be entered by the Bankruptcy Court by separate orders entered on the docket of each of the Chapter 11 Cases. In the event any such objections are timely Filed, a hearing with respect to such objection will be held by the Bankruptcy Court, which hearing may—but need not—coincide with the Confirmation Hearing.

(2) Effect of Substantive Consolidation

Upon entry of the Substantive Consolidation Order, each Estate will be substantively consolidated with the Estate of Perfect Brow Art, Inc. and the Chapter 11 Cases of all Debtors other than Perfect Brow Art, Inc. will be closed. Upon such event, the Creditor Trustee may file all Estate Causes of Action and objections to Claims in the Perfect Brow Art, Inc. Chapter 11 Case, and not in any other individual Chapter 11 Case, regardless of the fact that the transferring Debtor (in an Avoidance Action) or the Debtor against whom a Claim was Filed (in a Claim objection proceeding) may be a Debtor other than Perfect Brow Art, Inc.

(3) Reservation of Rights

In the event the Bankruptcy Court does not approve the substantive consolidation of all of the Estates, the Debtors reserve the right, under Section VII.C. of the Plan, to revoke or withdraw this Plan as to any Debtor or Debtors whose Estate or Estates cannot be substantively consolidated. The Debtors further reserve the right to—at any time up to the conclusion of the Confirmation Hearing—withdraw their request for substantive consolidation of the Chapter 11 Cases, to seek Confirmation of the Plan as if there were no substantive consolidation, and to seek Confirmation of the Plan with respect to one Debtor even if Confirmation with respect to other Debtors is denied.

B. Bonuses

The Plan will serve as a motion seeking entry of an order approving the Bonuses under § 503(c)(3) of the Bankruptcy Code. The facts and circumstances of these Chapter 11 Cases clearly justify the Bonuses. The Bookkeepers, neither of whom are “Insiders” under § 101(31) of the Bankruptcy Code, consistently worked over time and went above and beyond throughout the Chapter 11 Cases. Without their outstanding efforts, the Debtors would not have been able to sell substantially all of their assets and the Chapter 11 Cases would have likely converted to Chapter 7.

C. Vesting of Assets in the Creditor Trust

As of the Effective Date, all remaining Assets of the Debtors and the Estates will be transferred, assigned, and delivered to and vest in the Creditor Trust, and be deemed contributed to the Creditor Trust, subject to the terms of the Plan. The Assets include, without limitation:

- (1) all Cash held by the Debtors;
- (2) any remaining personal property owned by the Debtors as of the Effective Date;
- (3) all Estate Causes of Action; and
- (4) the Insurance Policies.

For the avoidance of doubt, all property held for Distribution pursuant to the Plan will be held by the Creditor Trust solely in trust for the Holders of Allowed Claims, and will not be deemed property of the Debtors. Nothing in the Plan precludes payment of: (i) statutory fees under 28

U.S.C. § 1930 to the extent unpaid on the Confirmation Date; and (ii) the Trustee's Expenses in accordance with the Plan and the Creditor Trust Agreement from any other assets held by the Creditor Trust.

Upon Confirmation of the Plan, the Debtors will be authorized and directed to take such steps necessary or appropriate to confirm such transfer and contribution of their property to the Creditor Trust, subject to oversight by the Creditor Trustee.

D. Creditor Trust Administration

The Creditor Trustee, with guidance from the Oversight Committee, will administer the Creditor Trust Assets pursuant to the Plan and the Creditor Trust Agreement from and after the Effective Date. The Creditor Trustee will be responsible for liquidating the Creditor Trust Assets, analyzing and reconciling Claims (including filing and pursuing objections to the extent required), pursuing Estate Causes of Action, making Distributions of Net Proceeds to the Beneficiaries of the Creditor Trust, and all other activities typically related to administering the Creditor Trust.

(1) Case Administration

From and after the Effective Date and continuing through the date that a final decree closing the Chapter 11 Cases is entered under § 350 of the Bankruptcy Code and Bankruptcy Rule 3022, the Creditor Trustee will possess the rights of a party in interest under § 1109(b) of the Bankruptcy Code for all matters arising in, arising under, or related to the Chapter 11 Cases.

In addition to the foregoing, for all matters arising in, arising under, or related to the Chapter 11 Cases, the Creditor Trustee's responsibilities and authority include, without limitation:

- (a) the right to appear and be heard on all matters brought before the Bankruptcy Court or other courts of competent jurisdiction, including adversary proceedings;
- (b) the right to obtain records of, or related to, the Debtors (including, without limitation, bank statements and cancelled checks);
- (c) the right to receive notice of all applications, motions, and other papers and pleadings set before the Bankruptcy Court in the Chapter 11 Cases;
- (d) exclusive standing (including derivative standing to pursue Estate Causes of Action on behalf of the Debtors) to analyze, commence, prosecute and settle Estate Causes of Action;
- (e) exclusive standing to pursue any proceedings initiated by the Committee pursuant to Bankruptcy Rule 2004;
- (f) the right to request that the Bankruptcy Court enter a final decree closing the Chapter 11 Cases;

- (g) facilitating the prosecution or settlement of objections to, or estimations of Claims according to the Plan and Disclosure Statement, subject to the provisions of the Plan and Disclosure Statement;
- (h) providing quarterly reports to the Bankruptcy Court and other parties in interest regarding the status of the Claims resolution process, prosecution of Estate Causes of Action, Distributions to the Beneficiaries of the Creditor Trust, and the financial status of the Creditor Trust; and
- (i) carrying out any other responsibilities not specifically set forth in the Plan or the Creditor Trust Agreement, which will vest in the Creditor Trust under the Plan, Creditor Trust Agreement, or any Bankruptcy Court order, or as may otherwise be necessary to carry out the provisions of the Plan and Disclosure Statement.

(2) *Creditor Trustee's Professionals*

Upon its appointment according to the Plan and the Creditor Trust Agreement, the Creditor Trustee may retain and compensate its own professionals as it may deem necessary under the Creditor Trust Agreement. Professionals may include legal counsel, accountants, experts, advisors, consultants, investigators, appraisers, real estate brokers, auctioneers, and other professionals whose retention and employment the Creditor Trustee deems appropriate.

Professionals retained by the Creditor Trustee do not need to be “disinterested,” as defined by the Bankruptcy Code, and may include the attorneys and financial advisors employed by any party in the Chapter 11 Cases. The Creditor Trustee may retain such Professionals without further approval from the Bankruptcy Court; and the Creditor Trustee will be permitted to retain any such Professional in light of the efficiencies implicit in continuity. The Creditor Trustee’s retention of any such Professionals is deemed not to pose any conflict of interest, and no conflict will be deemed to exist by virtue of the filing of applications by Professionals for allowance of Administrative Expense Claims according to the provisions of the Plan.

(3) *Oversight Committee*

The Oversight Committee shall be created on the Effective Date and governed by by-laws which shall provide for recusal on conflicts among other standard terms. The Oversight Committee shall be comprised of at least two and no more than three representatives of the Committee (or three Committee designees, should no member of the Committee be willing to serve). The Oversight Committee shall monitor the activities of the Creditor Trustee and otherwise exercise such rights and duties as are set forth in the Creditor Trust Agreement. Each member of the Oversight Committee shall serve until the earlier of: (i) his or her death or resignation; (ii) his or her removal pursuant to the Creditor Trust Agreement; and (iii) the termination of the Creditor Trust.

For all matters in which the Oversight Committee's consent is required, as set forth in the Creditor Trust Agreement, members of the Oversight Committee shall be entitled to one vote each. Decisions shall be rendered by a majority decision. If a member of the Oversight Committee is recused from voting due to his or her absence or any conflict that may arise, the matter must be approved by both remaining voting parties.

Pursuant to the Creditor Trust Agreement, the Creditor Trustee will need either the consent of the Oversight Committee or approval of the Bankruptcy Court for the following actions:

- (a) The sale or liquidation of an Estate Asset for an amount equal to or greater than \$200,000;
- (b) The settlement of a Cause of Action for which damages of \$200,000 or more had been sought;
- (c) The allowance of a Disputed Claim that was Filed in an unliquidated amount or equal to or greater than \$200,000; or
- (d) The estimation of a Disputed Claim for the purposes of maintaining Reserves in accordance with the Plan or for other purposes.

For services rendered to the Oversight Committee, no member shall be entitled to (i) compensation for services rendered on behalf of the Oversight Committee; (ii) enhancement of a Claim or Claims such member may have against one or more of the Debtors' Estates; or (iii) credit against any claims or causes of action asserted by or on behalf of any Debtors or their Estates against such member.

(4) *United States Trustee Fees*

All outstanding amounts due under 28 U.S.C. § 1930 that have not been paid must be paid by the Debtors on or before the Effective Date. Thereafter, the Creditor Trustee must pay any statutory fees due pursuant to 28 U.S.C. § 1930(a)(6), and such fees must be paid until entry of a Final Order or decree converting, dismissing, or closing the Chapter 11 Cases.

(5) *Dissolution of the Debtors*

Promptly after completing their wind-down, the Creditor Trustee will allow the applicable Secretary of State to involuntarily dissolve each of the Debtors. The Creditor Trustee will thereafter have standing to assert claims or pursue matters on behalf of the Debtors to the extent necessary to preserve, protect, and liquidate the Creditor Trust Assets or otherwise necessary to administer the Creditor Trust.

(6) *Continued Dissolution & Wind-Down Activities*

Following the wind-down and dissolution of the Debtors, entry of a Final Decree in the Chapter 11 Cases, and closing of the Creditor Trust, the Creditor Trustee shall be authorized—and retain the right—to liquidate any remaining or later-discovered Estate Assets.

E. Transfer, Prosecution, Preservation, and Resolution of Estate Causes of Action

(1) Transfer, Prosecution, Preservation, and Resolution of Causes of Action

On the Effective Date, the Debtors shall transfer to the Creditor Trust, and the Creditor Trustee shall hold and retain, all rights of the Debtors to commence and pursue any and all Estate Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal including, without limitation, in an adversary proceeding Filed in the Chapter 11 Cases) discovered in such investigation to the extent the Creditor Trustee deems appropriate.

Potential Estate Causes of Action may, but need not be, pursued by the Debtors prior to the Effective Date, and by the Creditor Trustee after the Effective Date.

All Estate Causes of Action, defenses, and counterclaims not expressly and specifically released in connection with the Plan, the Confirmation Order, or in any settlement agreement approved during the Chapter 11 Cases, or as otherwise provided in the Confirmation Order or in any contract, instrument, release, indenture, or other agreement entered into in connection with the Plan, in accordance with § 1123(b) of the Bankruptcy Code, shall be transferred to and vest with the Creditor Trust, whether or not litigation relating thereto is pending on the Effective Date, and whether or not any such Estate Causes of Action, defenses, and counterclaims have been listed or referred to in the Plan, the Schedules, or any other document Filed with the Bankruptcy Court, and prior to the Effective Date, the Debtors shall not waive, relinquish, or abandon (nor shall the Debtors be estopped or otherwise precluded from asserting) any right, Claim, Estate Cause of Action, defense, or counterclaim that constitutes property of the Estates:

- (a) whether or not such right, Claim, Estate Cause of Action, defense, or counterclaim has been listed or referred to in the Plan or the Schedules, or any other document Filed with the Bankruptcy Court;
- (b) whether or not such right, Claim, Estate Cause of Action, defense, or counterclaim is currently known to the Debtors; and
- (c) whether or not a defendant in any litigation relating to such right, Claim, Estate Cause of Action, defense or counterclaim Filed a proof of claim in the Chapter 11 Cases, Filed a notice of appearance or any other pleading or notice in the Chapter 11 Cases, voted for or against the Plan, or received or retained any consideration under the Plan.

Without limiting the generality of the foregoing preservation of rights in any manner, notwithstanding any otherwise applicable principal of law or equity, without limitation, any principals of judicial estoppel, res judicata, collateral estoppel, issue preclusion, or any similar doctrine, the failure to list, disclose, describe, identify, or refer to an Estate Cause of Action,

defense, or counterclaim, or potential Estate Cause of Action, defense, or counterclaim, in the Plan, the Schedules, or any other document Filed with the Bankruptcy Court shall in no manner waive, eliminate, modify, release, or alter the Creditor Trustee's right to commence, prosecute, defend against, settle, and realize upon any Estate Causes of Action, defenses, or counterclaims that the Debtors had immediately prior to the Effective Date, or that the Creditor Trust has as of the Effective Date.

The Creditor Trustee may commence, prosecute, defend against, settle, and realize upon any rights, Claims, Estate Causes of Action, defenses, and counterclaims in his sole discretion, in accordance with what is in the best interests, and for the benefit, of the Beneficiaries of the Creditor Trust.

(2) Preservation of Right to Conduct Investigations

Preserving any and all rights to conduct investigations pursuant to Bankruptcy Rule 2004 for the Creditor Trust is necessary and relevant to the liquidation and administration of the Creditor Trust Assets. Accordingly, any and all rights to conduct investigations pursuant to Bankruptcy Rule 2004 held by the Debtors prior to the Effective Date shall vest with the Creditor Trust and shall continue until dissolution of the Creditor Trust.

(3) Preservation of Estate Causes of Action

Unless any Estate Causes of Action against a Person are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan, or by a Final Order, in accordance with § 1123(b) of the Bankruptcy Code, the Creditor Trust:

- (a) shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Estate Causes of Action of the Debtors or the Debtors' Estates, whether arising before or after the Petition Date, including, but not limited to, any Estate Causes of Action specifically enumerated in Appendix __ to the Disclosure Statement, and the Creditor Trust's right to commence, prosecute, or settle such Estate Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date; and
- (b) expressly preserves all Estate Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Estate Causes of Action upon, after, or as a consequence of the Confirmation of the Plan or the occurrence of the Effective Date.

The Creditor Trust may pursue Estate Causes of Action, as appropriate, in accordance with the best interests of the Creditor Trust. No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any Estate Cause of Action against such entity as

any indication that the Creditor Trust will not pursue any and all available Estate Causes of Action against such Person. The Creditor Trust reserves all rights to prosecute any and all Estate Causes of Action against any Person, except as otherwise expressly provided in the Plan or in a Bankruptcy Court order. For the avoidance of doubt, the Plan does not release any Estate Causes of Action that the Plan Proponents or the Creditor Trust have—or may have—now or in the future against any Person.

In accordance with § 1123(b)(3) of the Bankruptcy Code, any Estate Causes of Action that the Debtors may hold against any Person that is not released under the Plan or a separate settlement approved by Final Order shall vest in the Creditor Trust, which shall retain and may exclusively enforce any and all such Estate Causes of Action. The Creditor Trust has the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any Estate Causes of Action, or to decline to do any of the foregoing, without the consent or approval of any third party or any further notice to or action, order, or approval of the Bankruptcy Court.

F. Distributions Under the Plan Made by the Creditor Trustee

(1) Generally

Except as otherwise provided in the Plan, or as may be ordered by the Bankruptcy Court, Distributions to be made on account of Unclassified Claims, and Allowed Priority Claims in Class 1, will be made on or soon as reasonably practicable after the Effective Date (or the date such Claims become Allowed Claims) by the Creditor Trustee. Distributions to be made on account of Allowed Class 2 Claims will be made as set forth in the Creditor Trust Agreement.

(2) Manner of Payment Under the Plan

Any payment of Cash made by the Creditor Trustee pursuant to the Plan may be made either by check drawn on a domestic bank or by wire transfer from a domestic bank, at the option of the Creditor Trustee.

(3) Manner of Distribution of Other Property

Any Distribution under the Plan of property other than Cash, if any, will be made by the Creditor Trustee according to the terms of the Plan.

(4) Setoffs

The Creditor Trustee may set off against any Claim and the payments to be made pursuant to the Plan in respect of such Claim, any claims of any nature whatsoever that the Debtors, Estates, or the Creditor Trust may have against the Holder of such Claim; *provided, however*, that neither the failure to effect such setoff nor the allowance of any Claim that otherwise would be subject to setoff, will constitute a waiver or release by the Debtors, Estates, or Creditor Trust of any such claim that the Debtors, Estates, or Creditor Trust may have against such Holder.

(5) *Distribution of Unclaimed Property*

Except as otherwise provided in the Plan, any Distribution of property (Cash or otherwise) under the Plan which is unclaimed after the later of (i) 180 days following the Effective Date; and (ii) 90 days after such Distribution has been remitted to the Holder of the Allowed Claim, will be remitted to the Creditor Trustee for Distribution to the Beneficiaries of the Creditor Trust pursuant to the Creditor Trust Agreement.

(6) *De Minimis Distributions; Unclaimed Funds*

No Cash payment of less than fifty dollars (\$50.00) will be made by the Creditor Trustee to any Holder of an Allowed Claim, except for an Allowed Claim for pre-Petition Date wages less than fifty dollars (\$50.00), unless a request therefor is made in writing to the Creditor Trustee. Notwithstanding anything to the contrary in the Plan, the Creditor Trustee will not be required to make a Distribution to any Creditor if the dollar amount of the Distribution is so small that the cost of making that Distribution exceeds the dollar amount of such Distribution. At the Final Distribution Date, if, in the reasonable judgment of the Creditor Trustee, the cost of calculating and making the final Distribution of the remaining funds is excessive in relation to the benefits to the Creditors who would otherwise be entitled to such Distributions, the Creditor Trustee will deposit such funds with the Clerk of the Bankruptcy Court as unclaimed funds pursuant to Bankruptcy Rule 3011.

(7) *Interest*

Unless otherwise required by applicable bankruptcy law (or under this Plan), or specifically provided for herein, postpetition interest shall not accrue or be paid on any Claims, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim. In accordance with § 502(b)(2) of the Bankruptcy Code, the amount of all prepetition General Unsecured Claims against the Debtors shall be calculated as of the Petition Date. Except as otherwise explicitly provided in the Plan, in § 506(b) of the Bankruptcy Code, or by Final Order, no Holder of a prepetition Claim shall be entitled to or receive interest or fees relating to such Claim.

(8) *Settlement of Claims and Controversies*

Pursuant to Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided under the Plan, the provisions of this Plan shall constitute a good faith compromise of all Claims or controversies relating to the contractual, legal and subordination rights that a Holder of a Claim may have against the Debtors with respect to any Allowed Claim. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims or controversies, and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors, their Estates, the Creditor Trust, and Holders of Claims and is fair, equitable and reasonable

(9) *Rounding*

Whenever a payment of a fraction of a cent would otherwise be called for, the actual Distribution will reflect a rounding of such fraction down to the nearest cent.

(10) *Saturday, Sunday, or Legal Holiday*

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day but will be deemed to have been completed as of the required date.

(11) *Delivery of Distributions/Address of Holder*

For purposes of all notices and Distributions under the Plan, the Creditor Trustee will be entitled to rely on, and Distributions to Holders of Unclassified Claims and Holders of Allowed Claims in Classes 1 through 3 will be made by regular U.S. first class mail to, the following name and address for the Holder of each such Claim: (i) the address set forth in the proof of Claim Filed by such Holder; or (ii) the address set forth in any written notice of address change delivered by the Holder to the Debtors or the Creditor Trustee after the date on which any related proof of Claim was Filed. The Creditor Trustee will be under no duty to attempt to locate Holders of Allowed Claims who are entitled to unclaimed Distributions.

(12) *Creditors' Payment Obligations/Turnover of Property to Creditor Trustee*

As a condition to obtaining Distributions under the Plan, any Holder of a Claim from which property is recoverable pursuant to a Final Order of the Bankruptcy Court under §§ 542, 543, 550 or 553 of the Bankruptcy Code, or otherwise, or that is a transferee of a transfer avoidable pursuant to a Final Order of the Bankruptcy Court under §§ 522, 544, 545, 547, 548 or 549 of the Bankruptcy Code or otherwise, will pay to the Creditor Trustee the amount, or turn over to the Creditor Trustee any such property, for which such Holder of a Claim is liable to the Debtors.

(13) *Creditor Trustee Claim Objection Deadline*

The Creditor Trustee will have standing to File objections to Administrative Expenses and Claims even if such Administrative Expenses or Claims were scheduled by the Debtors as undisputed, liquidated and non-contingent. Notwithstanding any prior order of the Bankruptcy Court to the contrary, the Creditor Trustee will have until 180 days after the Effective Date (unless extended by an order of the Bankruptcy Court or by stipulation between the parties) to File objections to Claims and the time period set forth in Section VIII.B. of the Plan to File objections to Administrative Expenses, Priority Claims, or Class 2 General Unsecured Claims. If the Creditor Trustee has objected to an Administrative Expense or Claim, payment will be withheld only with respect to the amount actually in dispute, and such objection will not affect payments or Distributions under the Plan on the undisputed portion of the Administrative Expense or Claim. Notwithstanding the deadline to File objections to Claims provided under

the Plan, the Creditor Trustee may File objections to Claims within 90 days of the filing of an amended Claim.

(14) No Distributions on Late-Filed Claims

Except as otherwise provided in a Final Order of the Bankruptcy Court or by agreement between the Debtors or the Creditor Trustee, and the affected Holder of such Claim, any Claim as to which a proof of claim was first Filed after the applicable Bar Date will be a Disputed Claim, and the Creditor Trustee will not make any Distribution to a Holder of such a Claim; *provided, however*, that to the extent such Claim was listed in the Schedules (other than as contingent, disputed, or unliquidated) and would be an Allowed Claim but for the lack of a timely proof of Claim, the Creditor Trustee will treat such Claim as an Allowed Claim in the amount in which it was so listed.

(15) Withholding and Reporting Requirements

In connection with the Plan, the Creditor Trust Agreement, and all Distributions thereunder, the Debtors and the Creditor Trustee, as applicable, shall comply with all tax withholding and reporting requirements imposed by any U.S. federal, state, or local or non-U.S. taxing authority, and all Distributions under the Plan shall be subject to any such withholding and reporting requirements. The Debtors and the Creditor Trustee, as applicable, shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements.

Notwithstanding any other provision of the Plan, (a) each Holder of an Allowed Claim that is to receive a Distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations, on account of such Distribution; and (b) the Creditor Trustee reserves the option, at his or her discretion, to not make a Distribution to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Creditor Trustee for the payment and satisfaction of such tax obligations or has, to the Creditor Trustee's satisfaction, established an exemption therefrom.

(16) Tax Identification and OFAC Certifications.

Notwithstanding anything in the Plan to the contrary, prior to making Distributions hereunder, the Creditor Trustee shall require each Holder to furnish him with: (a) its Employer or Taxpayer Identification Number as assigned by the Internal Revenue Service on IRS Form W-9; and (b) a certification that the Holder is not a person or entity with whom it is illegal for a U.S. person to do business under Office of Foreign Assets Control ("**OFAC**") sanctions regulations and/or the list of Specially Designated Nationals and Blocked Persons (collectively, the "**Pre-Distribution Certifications**").

Pre-Distribution Certification forms will be mailed to the Distribution address for each Holder prior to Distributions being made, and Holders shall have 45 days from the date of mailing to

return the executed Pre-Distribution Certifications. Any Holder that fails to return the executed Pre-Distribution Certifications within such 45 day period shall be deemed to have forfeited its right to receive Distributions, and shall be forever barred and enjoined from asserting any right to Distributions made prior to the Creditor Trustee receiving its executed Pre-Distribution Certification (if such Holder is a Holder of an Allowed Class 2 General Unsecured Claim, it will only be entitled to a Pro Rata share of remaining future Distributions, if any). Any Distributions that are forfeited pursuant to this provision will be returned to the Creditor Trustee and become property of the Creditor Trust.

SECTION V EXCULPATION

A. Exculpation

None of the Exculpated Parties shall have or incur any liability for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination, implementation, Confirmation, or approval of this Plan, the administration of this Plan, or any contract, instrument, release, or other agreement or document provided for or contemplated in connection with the consummation of the transactions set forth in this Plan; provided, however, that the foregoing provisions shall not affect the liability of any Person that would result solely from any such act or omission to the extent that act or omission is determined by a Final Order of the Bankruptcy Court to have constituted willful misconduct or gross negligence or breach of fiduciary duty; provided further, however, that this provision shall not limit the Debtors' obligations under this Plan.

Notwithstanding the foregoing or any other provision of this Plan, nothing in this Plan, or any order confirming this Plan shall affect any causes of action, claims, or counterclaims that may be asserted in connection with an objection to a Claim that has not been Allowed, in each case as determined by a court of competent jurisdiction. Nevertheless, no Exculpated Party shall have liability for willful misconduct or gross negligence except as determined by a Final Order of a court of competent jurisdiction.

The Exculpated Parties have acted in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation of this Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or such Distributions made pursuant to this Plan.

B. No Liability for Solicitation or Participation

As specified in § 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or rejections of the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, will not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan.

C. Good Faith

Confirmation of the Plan will constitute a finding that the Plan was proposed, and that acceptances of the Plan were solicited, in good faith and in compliance with applicable provisions of the Bankruptcy Code.

SECTION VI EFFECTIVENESS OF THE PLAN

A. Acceptance or Rejection of Plan

(1) *Acceptance by Impaired Class*

Class 2 will have accepted the Plan if the Holders of at least two-thirds in amount and more than one-half in number of the Allowed Claims in the Class actually voting have voted to accept the Plan, in each case not counting the vote of any Holder designated under § 1126(e) of the Bankruptcy Code.

(2) *Elimination of Classes*

Any Class that does not contain any Allowed Claims or any Claims temporarily allowed for voting purposes under Bankruptcy Rule 3018, as of the date of the commencement of the Confirmation Hearing, will be deemed not included in the Plan for purposes of (i) voting to accept or reject the Plan and (ii) determining whether such Class has accepted or rejected the Plan under § 1129(a)(8) of the Bankruptcy Code.

B. Conditions Precedent

Except as provided in this Section, The Effective Date cannot occur until the following conditions have been satisfied or waived (the “*Conditions Precedent*”):

- (1) the Bankruptcy Court will have entered an order granting approval of the Disclosure Statement and finding that it contains adequate information pursuant to § 1125 of the Bankruptcy Code and that order will have become a Final Order;
- (2) the Bankruptcy Court will have entered a Confirmation Order that is in form and substance satisfactory to the Debtors and the Committee;
- (3) the Creditor Trust Agreement, in form and substance satisfactory to the Committee, will be executed and delivered, and all conditions precedent to the effectiveness thereof will have been satisfied;
- (4) the Confirmation Order will have become a Final Order; and
- (5) no stay of the Confirmation Order is in effect.

The Conditions Precedent set forth in the Plan may be waived by the Debtors and the Committee (such waiver will not require any notice, Bankruptcy Court order, or any further action).

C. Effective Date

The Plan will not be consummated or become binding unless and until the Effective Date occurs. The Effective Date will be the date selected by the Plan Proponents which is a Business Day after the entry of the Confirmation Order on which: (i) no stay of the Confirmation Order is in effect, and (ii) all Conditions Precedent specified in Section VI.B. of the Plan have been satisfied, unless waived by the Plan Proponents. Any action to be taken on the Effective Date may be taken on or as soon as reasonably practicable after the Effective Date.

D. Confirmation Request

If necessary, the Plan Proponents will request that the Bankruptcy Court confirm the Plan under § 1129(b) of the Bankruptcy Code with respect to any Class that rejects the Plan.

E. Termination of Committee

The Committee will terminate automatically on the Effective Date. Upon its termination, the Committee will be dissolved and its members will be deemed released of their duties and responsibilities in connection with the Chapter 11 Cases and the Plan and its implementation, and the retention or employment of the Committee's counsel will terminate, except for ministerial duties or any duties imposed by the Plan (including filing applications for allowance and payment of Professional Fee Claims).

F. Officers & Directors of Debtors

On the Effective Date, all officers and directors of the Debtors, as the case may be, will be automatically deemed to have resigned from such positions, without further act, notice, deed or court order and its implementation.

Additionally, on the Effective Date, the retention or employment of the Debtors' Professionals will terminate, except for ministerial duties or any duties imposed by the Plan and Creditor Trust Agreement (including filing applications for allowance and payment of Professional Fee Claims).

G. Notice of Effective Date

As soon as practicable after the Effective Date has occurred, the Creditor Trustee will File with the Bankruptcy Court an informational notice specifying the Effective Date, as a matter of record.

SECTION VII EFFECT OF CONFIRMATION

A. Injunction

(1) Injunction Enjoining Holders of Claims Against Debtors

The Plan is the sole means for resolving, paying or otherwise dealing with Claims and Interests. To that end, except as expressly provided in the Plan, at all times on and after the Effective Date, all Persons who have been, are, or may be Holders of Claims against or Interests in the

Debtors, arising before the Effective Date, will be permanently enjoined from taking any of the following actions, on account of any such Claim or Interest, against the Debtors, the Estates, the Creditor Trust or the Creditor Trustee, their successors, or their respective property or assets (other than actions brought to enforce any rights or obligations under the Plan):

- (a) commencing, conducting or continuing in any manner, directly or indirectly any suit, action, or other proceeding of any kind against the Debtors and/or Estates, the Creditor Trust, or the Creditor Trustee, their successors, or their respective property or assets (including, without limitation, all suits, actions, and proceedings that are pending as of the Effective Date which will be deemed to be withdrawn or dismissed with prejudice);
- (b) enforcing, levying, attaching, executing, collecting, or otherwise recovering by any manner or means whether directly or indirectly any judgment, award, decree, or order against the Debtors, the Estates, the Creditor Trust, or the Creditor Trustee, their successors, or their respective property or assets;
- (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien, security interest or encumbrance against the Debtors, the Estates, the Creditor Trust, or the Creditor Trustee, their successors, or their respective property or assets; and
- (d) proceeding in any manner in any place whatsoever against the Debtors, the Estates, the Creditor Trust, or the Creditor Trustee, their successors, or their respective property or assets that does not conform to or comply with the provisions of the Plan.

(2) Injunction Binding

By accepting Distributions pursuant to the Plan, each Holder of an Allowed Claim receiving Distributions will be deemed to have specifically consented to the injunctions set forth herein.

(3) Injunction Related to Exculpation

The Confirmation Order shall permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively, or otherwise, of any claims, obligations, suits, judgments, damages, demands, debts, rights, Estate Causes of Action or liabilities enjoined, exculpated, or otherwise limited or prohibited pursuant to this Plan, including the claims, obligations, suits, judgments, damages, demands, debts, rights, and Estate Causes of Action against the Debtors or the Committee that are described in Section V.B of this Plan.

(4) Terms of Existing Injunctions and Stays

Unless otherwise provided in the Plan or the Confirmation Order, all injunctions or stays provided for under this Plan and ordered in the Confirmation Order or pursuant to §§ 105 or

362 of the Bankruptcy Code arising under or entered during the Chapter 11 Cases, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Cases are closed.

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to §§ 105, 362, or 525 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Cases have been closed.

The Confirmation Order will permanently enjoin the commencement or prosecution by any Person, whether directly, derivatively or otherwise, of any Claims, Interests, obligations, suits, judgments, damages, demands, debts, rights, causes of action, or liabilities released pursuant to the Plan.

B. Non-Discharge of Debtors

In accordance with § 1141(d)(3) of the Bankruptcy Code, the Confirmation Order will not discharge the Debtors. However, no Holder of a Claim may receive any payment from, or seek recourse against, any Assets that are to be distributed under the Plan other than Assets required to be distributed to that Holder pursuant to the Plan. As of the Confirmation Date, all Persons are enjoined from asserting against any property that is to be distributed under the Plan, any Claims, rights, causes of action, liabilities, or Interests based upon any act, omission, transaction, or other activity that occurred before the Confirmation Date except as expressly provided in the Plan or the Confirmation Order.

C. Withdrawal or Modification of Plan

Before the Effective Date, the Plan may be withdrawn as to one or more of the Debtors or may be altered, amended, or modified pursuant to § 1127 of the Bankruptcy Code by the Plan Proponents. After the Effective Date, the Creditor Trustee will have, subject to Bankruptcy Court order, the sole authority and power to alter, amend, or modify the Plan pursuant to § 1127 of the Bankruptcy Code.

D. Final Decree

Pursuant to Bankruptcy Rule 3022, a final decree closing a chapter 11 estate may not be entered until a bankruptcy case is fully administered. The Bankruptcy Court may, however, allow a final decree to be entered closing the Chapter 11 Cases on an earlier date, for cause shown.

SECTION VIII ADDITIONAL PROVISIONS

A. Executory Contracts & Unexpired Leases

(1) Assumptions and Rejections

To the extent that any agreements executed by the Debtors before the Effective Date constitute executory contracts or unexpired leases under § 365 of the Bankruptcy Code, other than agreements that were previously either assumed and assigned or rejected either by a Final Order or under § 365 of the Bankruptcy Code, such agreements will be deemed rejected on the Effective Date. The Confirmation Order will constitute a Final Order approving this rejection. All Rejection Damage Claims will be treated as Class 2 General Unsecured Claims under the Plan.

(2) Bar Date for Rejection Damage Claims

Any Rejection Damage Claims arising solely from rejection under the Plan of an executory contract or unexpired lease must be Filed with the Bankruptcy Court and served on the Creditor Trustee and its counsel within 30 days after the Effective Date. Any Rejection Damage Claims that are not timely Filed and served will be forever barred and unenforceable against the Debtors, the Estates, the Creditor Trust, the Creditor Trustee, and their property, and the entities holding these Claims will be barred from receiving any Distributions under the Plan on account of their Rejection Damage Claims. The Creditor Trustee will have the right to object to any such Rejection Damage Claims; *provided, however*, that any such objections must be served and Filed not later than 180 days after the Effective Date.

(3) Insurance Policies

For the avoidance of doubt, all of the Debtors' rights with respect to all Insurance Policies are retained according to their respective terms and will be transferred or assigned to the Creditor Trust pursuant to the Plan. All of the Debtors' rights with respect to Insurance Policies owned by the Debtors in which a third party is a beneficiary (including all Insurance Policies related to the liability of directors and officers) are retained according to their respective terms and will be transferred or assigned to the Creditor Trust pursuant to the Plan, so long as such transfer and assignment does not impair such policies, with the Creditor Trustee having authority to settle any such claims.

B. Administrative Expense Bar Date

All Persons requesting payment of Administrative Expense Claims, including, without limitation, Claims under § 503(b)(9) of the Bankruptcy Code, must File a request for payment of Administrative Expense Claims with the Bankruptcy Court no later than the Administrative Expense Claim Bar Date, which will be 30 days after the Effective Date.

The Administrative Expense Claim Bar Date will not apply to Professionals requesting payment of Professional Fee Claims, who will be entitled to File an application for allowance of such Professional Fee Claims no later than 60 days after the Effective Date. The Administrative Expense Claim Bar Dates will also not apply to U.S. Trustee fees.

Objections to such applications for payment—whether by Professionals requesting payment of Professional Fee Claims or Persons requesting payment of Administrative Expense Claims—if any, must be written, Filed with the Bankruptcy Court and served on the applicable parties within 21 days after such application is Filed.

C. Exhibits

All exhibits attached to the Plan, the Disclosure Statement, or the Creditor Trust Agreement are, by this reference, hereby incorporated into the Plan, and the final version of all exhibits will be substantially in the form attached hereto or thereto. The Plan Proponents reserve the right to make non-substantive changes and corrections to such exhibits in advance of the Confirmation Hearing. If any exhibits are changed or corrected, the replacement exhibits will be Filed with the Bankruptcy Court before the Confirmation Hearing commences.

D. Exemption from Stamp, Transfer, & Other Taxes

Pursuant to § 1146(a) of the Bankruptcy Code, the issuance, transfer, or exchange of assets under the Plan by the Debtors; the creation of any mortgage, deed of trust, or other security interest; the making or assignment of any lease or sublease; or the making or delivery of any deed or instrument of transfer under, in furtherance of, or in connection with the Plan, will not be subject to any stamp, real estate transfer, mortgage recording, or other similar tax.

E. Headings

Headings are used in the Plan for convenience and reference only, and do not constitute a part of the Plan for any other purpose.

F. Binding Effect

From and after the Confirmation Date, subject to the occurrence of the Effective Date, this Plan shall be binding and inure to the benefit of the Debtors, the Estates, all present and former Holders of Claims and Interests, and their respective assigns. The provisions of the Plan, the Confirmation Order, and any associated findings of fact or conclusions of law shall bind the Debtors, any entity acquiring property under the Plan, and any Creditor of the Debtors, whether or not the Claim of such Creditor is Impaired under the Plan and whether or not such Creditor has accepted the Plan.

G. Governing Law

Unless a rule of law or procedure is supplied by (i) federal law (including the Bankruptcy Code and Bankruptcy Rules); or (ii) an express choice of law provision in any agreement, contract, instrument or document provided for, or executed in connection with, the Plan, the rights and obligations arising under the Plan and any agreements, contracts, documents, and instruments

executed in connection with the Plan will be governed by, and construed and enforced according to, the laws of the State of Illinois without giving effect to the principles of conflict of laws thereof.

H. Other Documents & Actions

Before and on the Effective Date, the Debtors—and after the Effective Date the Creditor Trustee—may execute such other documents and take such other actions as may be necessary or appropriate to effectuate the transactions contemplated under the Plan. Additionally, the Plan Proponents and the Creditor Trustee may execute such other documents and take such other actions as may be necessary or appropriate to effectuate the transactions contemplated under the Plan.

I. Notices

Any notice to the parties listed below (the “*Post-Effective Date Notice Parties*”) required or permitted to be provided under the Plan will be in writing and served by either (i) certified mail, return receipt requested, postage prepaid; (ii) hand delivery; or (iii) reputable overnight delivery service, freight prepaid, to be addressed as follows:

Debtors:

Rhonda Liedtke
PERFECT BROW ART, INC. ET AL.
c/o Brow Art Management, LLC
655 Deerfield Rd.
Suite 100- PMB 330
Deerfield, IL 60015

With a copy to:

Harold D. Israel
Jamie L. Burns
LEVENFELD PEARLSTEIN, LLC
2 N. LaSalle Street, Suite 1300
Chicago, IL 60602

Committee:

Jonathan P. Friedland
Michael A. Brandess
SUGAR FELSENTAL GRAIS & HELSINGER LLP
30 N. LaSalle St., Suite 3000
Chicago, IL 60602

Creditor Trustee:

Fred C. Caruso
DEVELOPMENT SPECIALISTS INC.
10 S. LaSalle St., Ste. 3300
Chicago, IL 60603

J. Severability of Plan Provisions

If, before Confirmation, any term or provision of the Plan is found by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

K. Successors & Assigns

The rights, benefits, and obligations of any entity named or referred to in the Plan will be binding on, and inure to the benefit of, the heirs, executors, administrators, successors, and assigns of such entity.

L. Effectiveness of Court Orders

All orders and judgments—including injunctions—entered by the Bankruptcy Court during the Chapter 11 Cases, and in existence on the Confirmation Date, will remain in full force and effect from and after the Effective Date, to the extent not inconsistent with the provisions of the Plan or the Confirmation Order.

M. No Waiver

The failure to list a Claim in the Schedules Filed by the Debtors, the failure to object to any Claim for purposes of voting, the failure to object to a Claim or Administrative Expense Claim before the Effective Date; the failure to assert an Estate Cause of Action before the Effective Date; or any action or inaction with respect to a Claim, Administrative Expense Claim, or Estate Cause of Action, other than a legally effective express waiver or release, will not be deemed a waiver or release of the right of the Creditor Trustee to object to or examine such Claim or Administrative Expense Claim, in whole or in part, or retain and assert, pursue, prosecute, litigate, or otherwise enforce any Estate Cause of Action.

N. Inconsistencies

In the event that any provisions of the Plan are inconsistent with the provisions of the Disclosure Statement, the provisions of the Plan control.

O. Implementation of Bankruptcy Code § 1142

Pursuant to § 1142(a) of the Bankruptcy Code, the Plan Proponents and the Creditor Trustee are authorized to carry out the terms of the Plan. Pursuant to § 1142(b) of the Bankruptcy Code, all

Holders of Claims and Interests must execute and deliver, or join in the execution and delivery of, any instrument or document appropriate to effectuate the Plan, and perform any other act that is appropriate for the consummation of the Plan. To the extent that any Holder of a Claim or Interest fails to comply with these provisions, the Plan Proponents and the Creditor Trustee will be entitled to obtain, on an expedited basis, an order of the Bankruptcy Court compelling such Holder's compliance with these provisions, and, during the time period encompassed by such Holder's non-compliance, no payment will be made to such Holder under the Plan.

P. Setoffs & Recoupments

The Debtors may, but will not be required to, setoff against or recoup from the payments to be made pursuant to the Plan in respect of a Claim, any claim of any nature whatsoever that the Debtors may have against the Holder of such Claim, but neither the failure to do so nor the allowance of any Claim hereunder will constitute a waiver or release of any such claim by the Debtors against such Holder.

Q. Retention of Jurisdiction

The Plan will not in any way limit the Bankruptcy Court's post-Confirmation jurisdiction as provided under the Bankruptcy Code. The Bankruptcy Court will retain and have exclusive jurisdiction to the fullest extent permissible over any proceeding (i) arising under the Bankruptcy Code; or (ii) arising in or related to the Chapter 11 Cases or the Plan, including but not limited to the following:

- (a) To hear and determine pending motions for the assumption, assignment, or rejection of executory contracts or unexpired leases, if any are pending as of the Effective Date, the determination of any cure payments related thereto, and the allowance or disallowance of Claims resulting therefrom;
- (b) To determine any and all adversary proceedings, applications, motions, and contested matters instituted prior to the closing of the Chapter 11 Cases;
- (c) To ensure that Distributions to Holders of Allowed Claims are accomplished as provided in the Plan;
- (d) To hear and determine any objections to Administrative Expense Claims and to proofs of Claim Filed both before and after the Effective Date (including, without limitation, whether all or any part of any Claim set forth in any such proof of Claim or Administrative Expense Claim is subject to partial or complete subordination pursuant to applicable law), and to allow or disallow any Disputed Claim in whole or in part; provided, however, that, for the avoidance of doubt, the Creditor Trustee may settle or compromise (including by setoff) any Disputed Claim without further order of the Bankruptcy Court;

- (e) To hear and determine all applications for Professional Fee Claims under §§ 330, 331, and 503(b) of the Bankruptcy Code;
- (f) To hear and determine any disputes arising in connection with the interpretation, implementation, execution, or enforcement of the Plan, the Creditor Trust Agreement, the Confirmation Order, or any other order of the Bankruptcy Court;
- (g) To hear or determine any action to recover Assets of the Estates, wherever located;
- (h) To hear and determine any actions or matters related to the Estate Causes of Action, whether or not such actions or matters are pending on the Effective Date;
- (i) To hear and determine any matters concerning state, local, and federal taxes in accordance with §§ 346, 505, and 1146 of the Bankruptcy Code;
- (j) To hear and determine any objections to the allowance of Claims or Administrative Expense Claims, whether Filed before or after the Confirmation Date, including any objections to the classification of any Claim, and any proceedings to allow, disallow, determine, liquidate, estimate, or establish the priority or the secured or unsecured status of any Claim, or to establish reserves pending the resolution of Disputed Claims;
- (k) To hear and determine any proceeding to modify the Plan, after Confirmation of the Plan, and, if in the best interests of Holders of Claims, modification of the Plan even after the Plan has been substantially consummated;
- (l) To consider the issuance of injunctions or other orders as may be necessary or appropriate to aid in implementing the Plan or to restrain interference by any entity with consummating or enforcing the Plan;
- (m) To hear any other matter not inconsistent with the Bankruptcy Code;
- (n) To hear any other matter deemed relevant by the Bankruptcy Court; and
- (o) To enter a final decree closing the Chapter 11 Cases.

R. Waiver of 14 Day Stay

The Plan Proponents request as a part of the Confirmation Order a waiver from the Bankruptcy Court of the 14 day stay under Bankruptcy Rule 3020(e).

S. Substantial Consummation

On the Effective Date, the Plan will be deemed substantially consummated for voting and Distribution purposes under §§ 1101 and 1127(b) of the Bankruptcy Code.

T. Conflicts

To the extent that any provision of the Disclosure Statement, the Creditor Trust Agreement, or any exhibits or schedules thereto, conflict with or are in any way inconsistent with the terms of the Plan, the Plan shall govern and control.

U. Payment of Statutory Fees

All fees payable pursuant to 28 U.S.C. § 1930 as of the Effective Date shall be paid by the Debtors to the extent required by applicable law.

V. Further Information

Requests for further information regarding the Chapter 11 Cases or the Plan may be directed to counsel to the Debtors or the Committee, at the contact information set forth in Section VIII.(I) above or at <https://case.stretto.com/perfectbrowart/docket>.

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Date: January 7, 2020

Submitted:

Perfect Brow Art, Inc.

By: /s/ Rhonda Liedtke
Its Responsible Person

Perfect Brow Florida, Inc.

By: /s/ Rhonda Liedtke
Its Responsible Person

Perfect Brow Puerto Rico, Inc.

By: /s/ Rhonda Liedtke
Its Responsible Person

Perfect Brow New York, Inc.

By: /s/ Rhonda Liedtke
Its Responsible Person

Locks Rock, Inc.

By: /s/ Rhonda Liedtke
Its Responsible Person

P.B. Art Franchise, Inc.

By: /s/ Rhonda Liedtke
Its Responsible Person

Perfect Brow Oakland, Inc.

By: /s/ Rhonda Liedtke
Its Responsible Person

Ooh La La Beauty Bar Franchise, Inc.

By: /s/ Rhonda Liedtke
Its Responsible Person

**The Official Committee of Unsecured
Creditors of Perfect Brow Art, Inc., *et al.***

By: /s/ Jonathan P. Friedland
One of Its Attorneys

SUPPORTING EXHIBITS

Exhibit A Creditor Trust Agreement

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:

Perfect Brow Art, Inc., *et al.*,¹

Debtors.

Chapter 11

Case No. 19-01811

(Jointly Administered)

Honorable Donald R. Cassling

PERFECT BROW ART, INC., *et al.* CREDITOR TRUST AGREEMENT

Harold D. Israel (IL No. 6216289)
Jamie L. Burns (IL No. 6300120)
LEVENFELD PEARLSTEIN, LLC
2 N. LaSalle St., Suite 1300
Chicago, Illinois 60602
Telephone: 312.346.8380
Facsimile: 312.346.8434

Counsel to the Debtors

Jonathan Friedland (IL No. 6257902)
Elizabeth B. Vandesteeg (IL No. 6291426)
Michael A. Brandess (IL No. 6299158)
Jack O'Connor (IL No. 6302674)
SUGAR FELSENTAL GRAIS & HELSINGER LLP
30 N. LaSalle St., Ste. 3000
Chicago, Illinois 60602
Telephone: 312.704.9400
Facsimile: 312.372.7951

Counsel to the Official Committee of Unsecured Creditors

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: (i) Perfect Brow Art, Inc. (5731), (ii) Perfect Brow Florida, Inc. (5602), (iii) Perfect Brow Puerto Rico, Inc. (3497), (iv) Perfect Brow New York, Inc. (2041), (v) Locks Rock, Inc. (5046), (vi) P.B. Art Franchise, Inc. (0026), (vii) Perfect Brow Oakland, Inc. (5727), and (viii) Ooh La La Beauty Bar Franchise, Inc. (0714).

PERFECT BROW ART, INC., et al. CREDITOR TRUST AGREEMENT

PREAMBLE

This Agreement (the “**Creditor Trust Agreement**” or the “**Agreement**”), made as of _____, 2020, by and among the Debtors, the Official Committee of Unsecured Creditors of Perfect Brow Art, Inc., et al. (the “**Committee**”), and Fred C. Caruso, not individually but solely as trustee (the “**Creditor Trustee**”) (the signatories, collectively, the “**Parties**”) for the Creditor Trust created and defined by this Creditor Trust Agreement according to the *Joint Chapter 11 Liquidating Plan*, including its attached exhibits, either in its present form or as it may later be amended, modified, or supplemented (collectively referred to as the “**Plan**”), confirmed by the Bankruptcy Court under the [Full title of Confirmation Order] (the “**Confirmation Order**,” referred to collectively with the Plan and Creditor Trust Agreement as the “**Plan Documents**”).²

RECITALS

- A. On June 29, 2017 (the “**Petition Date**”), Perfect Brow Art, Inc., Perfect Brow Florida, Inc., Perfect Brow Puerto Rico, Inc., Perfect Brow New York, Inc., Locks Rock, Inc., P.B. Art Franchise, Inc., Perfect Brow Oakland, Inc., and Ooh La La Beauty Bar Franchise, Inc. (collectively, the “**Debtors**”) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code, commencing the Chapter 11 Cases. Since the Petition Date, the Debtors have remained in possession of their assets and operated their businesses as debtors-in-possession under §§ 1107(a) and 1108 of the Bankruptcy Code prior to the sale of such assets.
- B. On January 29, 2019, the Bankruptcy Court ordered the joint administration of the Chapter 11 Cases, for procedural purposes only jointly administered as “*Perfect Brow Art, Inc., et al.*” and assigned lead Case No. 19-01811. (Dkt. 51.)
- C. The Office of the United States Trustee (the “**U.S. Trustee**”) appointed the Committee on February 13, 2019 (Dkt. 96.) The Committee is made up of the following unsecured creditors: Beth Robertson; Brookfield Property REIT Inc.; and Simon Property Group LP
- D. The Plan Documents provide for the creation of a Creditor Trust (the “**Creditor Trust**”) for the benefit of creditors entitled to distributions under the Plan (each a “**Beneficiary**,” and collectively referred to as the “**Beneficiaries**”), and for the assignment of assets of the Debtors’ bankruptcy estates upon the Effective Date to the Creditor Trust for administration by the Creditor Trustee. Except as otherwise provided in the Plan, the Creditor Trust Assets include all Assets of the Estates, including but not limited to: (a) all Cash held by the Debtors; (b) recoveries from all Estate Causes of Action which may lie in favor of one or both of the Debtors; and (c) such other sources of funds which may exist as determined by the Creditor Trustee.
- E. The Plan Documents provide that the Creditor Trustee be appointed as of the Effective Date and administer the Creditor Trust Assets.

² Capitalized terms not defined in this Creditor Trust Agreement have the meaning ascribed to them under the Plan.

- F. The powers, authority, responsibilities, and duties of the Creditor Trustee are governed by this Creditor Trust Agreement, the Plan, applicable orders issued by the Bankruptcy Court (including the Confirmation Order), and general fiduciary obligations of trustees under Illinois law.
- G. This Creditor Trust Agreement is intended to supplement and complement the Plan and the Confirmation Order, *provided, however*, that if any term or provision of this Creditor Trust Agreement conflicts with the terms or provisions of the Plan or Confirmation Order, the Confirmation Order and the Plan will govern, in that order.
- H. The Creditor Trust is intended to qualify as a “Liquidating Trust” under the Internal Revenue Code of 1986 and the regulations promulgated thereunder, specifically Treasury Regulation § 301.7701-4(d), and any comparable provisions of state or local law, and as such is a “grantor trust” for federal income tax purposes, with the Beneficiaries treated as the grantors and owners of the Creditor Trust Assets. In particular:
- (1) The Creditor Trust is organized for the primary purpose of liquidating the Creditor Trust Assets, with no objective to conduct a trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Creditor Trust. The Creditor Trust will not be deemed a successor of the Debtors for tax purposes;
 - (2) The Beneficiaries of the Creditor Trust will be treated as the grantors of the Creditor Trust and deemed-owners of the Creditor Trust Assets. This Creditor Trust Agreement requires the Creditor Trustee to file returns for the Creditor Trust as a grantor trust under Treas. Reg. § 1.671-4(a);
 - (3) This Creditor Trust Agreement provides for consistent valuations of the transferred property by the Creditor Trustee and the Beneficiaries, and those valuations will be used for federal income tax purposes;
 - (4) All of the Creditor Trust’s income is to be treated as subject to tax on a current basis to the Beneficiaries, who will be responsible for payment of any tax due;
 - (5) The investment powers of the Creditor Trustee, other than those reasonably necessary to maintain the value of the Creditor Trust Assets and to further the liquidating purpose of the Creditor Trust, are limited to powers to invest in: demand and time deposits such as short-term certificates of deposit; banks or other savings institutions; or other temporary, liquid investments, such as treasury bills; and
 - (6) The Creditor Trustee is authorized to take any action necessary to maintain compliance with Treas. Reg. § 301.7701-4(d), or its successor, that does not contradict the terms of the Plan Documents.

Now, therefore, in consideration of the premises and the mutual covenants and agreements contained in the Plan Documents, and expressly incorporating these Recitals into the terms and provisions of this Creditor Trust Agreement, the Parties agree as follows:

DECLARATION OF TRUST

The Debtors hereby absolutely assign to the Creditor Trust, and to its successors in trust and its successors and assigns, all right, title, and interest of Debtors in and to the Creditor Trust Assets;

TO HAVE AND TO HOLD in trust unto the Creditor Trust and its successors and assigns forever;

IN TRUST NEVERTHELESS upon the terms and subject to the conditions set forth herein and for the benefit of the Beneficiaries, as and to the extent provided in the Plan, and for the performance of and compliance with the terms hereof and of the Plan;

PROVIDED, HOWEVER, that upon termination of the Creditor Trust in accordance with Article XII hereof, this Agreement shall cease, terminate, and be of no further force and effect; and

IT IS HEREBY FURTHER COVENANTED AND DECLARED that the Creditor Trust Assets are to be held and applied by Creditor Trustee upon the further covenants and terms and subject to the conditions herein set forth.

ARTICLE I ESTABLISHMENT OF THE CREDITOR TRUST

1.1 Establishment of & Name of Creditor Trust

The Parties, as called for under the Plan, hereby establish the Creditor Trust on behalf of the Beneficiaries, who are to be treated as the grantors and deemed-owners of the Creditor Trust Assets. The Creditor Trust's name is the "Perfect Brow Creditor Trust."

1.2 Purpose of the Creditor Trust

The Creditor Trust is established for the primary purpose of liquidating its assets under Treas. Reg. § 301.7701-4(d). The Creditor Trust has no objective to continue or engage in the conduct of a trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Creditor Trust. Accordingly, the Creditor Trust must, in an expeditious but orderly manner, liquidate and convert to Cash the Creditor Trust Assets, make timely distributions to the Beneficiaries, and not unduly prolong its duration.

1.3 Transfer & Vesting of Assets to the Creditor Trust

- 1.3.1 As provided for in the Plan, the Debtors and their Estates have transferred, assigned, and delivered to the Creditor Trust, on behalf of the Beneficiaries, all of their rights, title, and interests in the Creditor Trust Assets, notwithstanding any prohibitions against assignment under applicable nonbankruptcy law. The Creditor Trust agrees to accept and hold the Creditor Trust Assets for the benefit of the Beneficiaries, subject to the terms of the Plan Documents.

- 1.3.2 To the extent any of the Debtors' assets cannot be transferred to the Creditor Trust because of a restriction on transferability under applicable nonbankruptcy law that is not superseded by § 1123 or any other provision of the Bankruptcy Code, such assets will be retained by the Debtors (the "***Retained Assets***"). The proceeds of any Retained Assets will be paid to the Creditor Trust. The Parties do not believe that any such Retained Assets exist.
- 1.3.3 All rights associated with the vesting and transfer of the Creditor Trust Assets, including the Estate Causes of Action, will vest with the Creditor Trust, including but not limited to: attorney-client privileges; work-product protections; and other privileges or immunities attaching to any documents or communications of the Debtors' or the Committee's professionals (whether written or oral).
- 1.3.4 All bank accounts established by the Debtors will be transferred to and held in the Creditor Trust on behalf of the Beneficiaries, subject to the provisions of the Plan and this Creditor Trust Agreement. The Parties, including the Debtors' counsel, Levenfeld & Pearlstein, LLC, are further authorized to take all necessary actions to effectuate the transfer, assignment, and delivery of assets to the Creditor Trust.

1.4 Title to Assets

- 1.4.1 Notwithstanding any prohibition of assignability under applicable nonbankruptcy law, all assets and properties transferred to the Creditor Trust pursuant to the Plan vest in the Creditor Trust according to § 1141 of the Bankruptcy Code. Upon the transfer of the Creditor Trust Assets to the Creditor Trust, the Debtors will have no interest in, or with respect to, such Creditor Trust Assets or the Creditor Trust.
- 1.4.2 For federal income tax purposes, all parties (including the Debtors, the Creditor Trustee, and the Beneficiaries) must treat the transfer of the Creditor Trust Assets from the Debtors and their Estates to the Creditor Trust as a transfer of such assets by the Debtors and their Estates to the Holders of Allowed Claims entitled to distributions under the Plan and Confirmation Order, followed by a transfer by such Holders to the Creditor Trust. Thus, the Beneficiaries will be treated as the grantors and owners of a grantor trust for federal income tax purposes.
- 1.4.3 To any extent not effectuated by the Confirmation Order, the Debtors and the Committee will execute and deliver, or cause the execution and delivery of, all documents (in recordable form where necessary or appropriate), and the Debtors and the Committee will take, or cause, any further action as may reasonably be necessary or appropriate to vest, perfect in, or confirm to the Creditor Trust title to and possession of the Creditor Trust Assets.

1.5 Valuation of Assets

To the extent the Creditor Trustee deems necessary or appropriate, the Creditor Trust may conduct a good faith valuation of the Creditor Trust Assets and may make such valuation available to the Beneficiaries by filing a report of the valuation with the Bankruptcy Court promptly after the completion of any such valuation. The valuation will be used

consistently by all parties (including the Debtors, the Creditor Trustee, and the Beneficiaries) for federal income tax purposes. Any dispute regarding the valuation of the Creditor Trust Assets must be resolved by the Bankruptcy Court.

1.6 Claims Against the Creditor Trust Assets

The Creditor Trust Assets will be subject to the claims of the Creditor Trustee, its Professionals, employees, and Non-Professionals (each defined below), and U.S. Trustee fees. Subject to Section 10.2 of this Agreement, the Creditor Trustee is entitled to reimburse such persons out of any available Cash in the Creditor Trust, for reasonable compensation and actual reasonable out-of-pocket expenses, and against and from any and all loss, liability, expense or damage, which each may sustain in good faith and without willful misconduct, gross negligence, fraud, or intentional breach of fiduciary duty, in the exercise and performance of any of the powers and duties of the Creditor Trustee. Any such claims for reasonable compensation and reimbursable expenses will have priority over the claims of the Beneficiaries.

ARTICLE II APPOINTMENT OF THE CREDITOR TRUSTEE

Fred C. Caruso is appointed to serve as the initial Creditor Trustee under the Plan. As of the date of the Creditor Trust Agreement, Fred C. Caruso accepts this appointment and agrees to serve in such capacity, effective as of the date of this Creditor Trust Agreement. Any successor Creditor Trustee may be appointed as set forth in Section 4.6 of this Agreement, in the event any Creditor Trustee is removed or resigns, or if such Creditor Trustee otherwise vacates the position.

ARTICLE III DUTIES & POWERS OF THE CREDITOR TRUSTEE

3.1 Generally

The Creditor Trustee is responsible for administering the Creditor Trust Assets and taking actions on behalf of, and representing, the Creditor Trust. The Creditor Trustee holds authority to bind the Creditor Trust within the limitations set forth in this Creditor Trust Agreement but will—for all purposes—be deemed to act in the capacity of Creditor Trustee and not individually. The Creditor Trustee is a “representative of the estate” under § 1123(b)(3)(B) of the Bankruptcy Code, and has the capacity, standing, and party-in-interest status to pursue any Estate Causes of Action and to prosecute objections to claims, and holds the benefits of—and may assert any defenses that may otherwise have been asserted by—the Debtors or a “trustee” under the Bankruptcy Code.

3.2 Scope of Authority

The Creditor Trustee’s responsibilities and authority include, without limitation:

- (a) collecting and liquidating the Creditor Trust Assets, and distributing the Creditor Trust Assets to the Beneficiaries according to the Plan Documents;

- (b) the right to appear and be heard on all matters brought before the Bankruptcy Court or other courts of competent jurisdiction, including adversary proceedings;
- (c) the right to obtain records of, or related to, the Debtors (including bank statements and cancelled checks);
- (d) the right to receive notice of all applications, motions, and other papers and pleadings set before the Bankruptcy Court in the Chapter 11 Cases;
- (e) exclusive standing (including derivative standing to pursue Estate Causes of Action on behalf of the Debtors) to commence all Estate Causes of Action;
- (f) exclusive standing to pursue any proceedings initiated by the Committee pursuant to Bankruptcy Rule 2004;
- (g) the right to request that the Bankruptcy Court enter a final decree closing the Chapter 11 Cases;
- (h) facilitating the prosecution or settlement of objections to, or estimations of Claims according to the Plan Documents, subject to the provisions of the Plan Documents;
- (i) analyzing, prosecuting, and settling Estate Causes of Action;
- (j) filing all required tax returns, and paying any taxes or other obligations on behalf of the Debtors and the Creditor Trust from funds held by the Creditor Trust;
- (k) providing periodic reports to the Bankruptcy Court and other parties in interest regarding the status of the Claims resolution process, prosecution of Estate Causes of Action, distributions to Beneficiaries, and the financial status of the Creditor Trust; and
- (l) carrying out any other responsibilities not specifically set forth in this Creditor Trust Agreement which have vested in the Creditor Trustee under the Plan Documents or any Bankruptcy Court order, or as may otherwise be necessary to carry out the provisions of the Plan Documents.

3.3 Court Approvals

The Creditor Trustee must seek approval of the Bankruptcy Court to:

- (a) Sell or liquidate an estate asset for a Cash amount equal to or greater than \$100,000;

- (b) Settle an Estate Cause of Action for which the demand for damages is equal to or greater than \$250,000;
- (c) Allow a Disputed Claim in an Allowed Amount equal to or greater than \$250,000; and
- (d) Grant a release to any Insider on behalf of the Debtors' estates.

In addition, the Creditor Trustee may, in its discretion, seek Bankruptcy Court approval of any other action undertaken on behalf of the Creditor Trust.

3.4 Fiduciary Obligations to the Creditor Trust & Beneficiaries

The Creditor Trustee's obligations to the Creditor Trust and the Beneficiaries are the same fiduciary obligations owed by a trustee to a trust and its beneficiaries under Illinois law. Actions taken by the Creditor Trustee in its capacity as Creditor Trustee will be held to the same standard as a trustee of a trust under Illinois law, except as expressly modified by the terms of this Creditor Trust Agreement.

3.5 Creditor Trustee Powers & General Authority

Unless expressly prohibited or required by the Plan Documents, the Creditor Trustee holds authority to take all actions necessary to accomplish the purposes of the Creditor Trust without seeking further authority to act from the Bankruptcy Court. Among other actions necessary to fulfill its duties as Creditor Trustee, the Creditor Trustee has the express authority to:

- (a) hold legal title (on behalf of the Creditor Trust as Creditor Trustee, but not individually) to the Creditor Trust Assets;
- (b) effect all actions and execute all agreements, instruments and other documents necessary to implement the Plan;
- (c) protect and enforce the rights to the Creditor Trust Assets vested in the Creditor Trust by the Plan and the Confirmation Order by any method deemed appropriate, including by judicial proceedings or under any applicable bankruptcy, insolvency, moratorium or similar law, and general principles of equity;
- (d) invest funds (as described at Section 3.9 of this Agreement), make distributions, and pay taxes and other obligations owed by the Creditor Trust from funds held by the Creditor Trustee or the Creditor Trust according to the Plan and Confirmation Order;
- (e) prosecute, defend, compromise, adjust, arbitrate, abandon, or otherwise deal with and settle, according to the terms of the Plan Documents, all actions arising under state law or the Bankruptcy Code, including all Estate Causes of Action;

- (f) determine, compromise, and satisfy any liabilities created, incurred, or assumed by the Creditor Trust;
- (g) file, if necessary, any and all Tax and information returns with respect to the Debtors (from the Petition Date through the effective date of the Creditor Trust) and the Creditor Trust and pay Taxes properly payable by the Creditor Trust and the Debtors, if any, commensurate with the Creditor Trust's classification as a grantor trust pursuant to Treas. Reg. § 1.671-4(a) with respect to Taxes, if any, due from the Creditor Trust;
- (h) withhold all necessary taxes, and make tax elections on behalf of the Creditor Trust;
- (i) exercise discretion regarding the preparation and transmittal of annual, individualized statements for the Beneficiaries, stating each Beneficiary's share of income, gains, losses, deductions, or credits, and instruct the Beneficiaries to report such items on their federal tax returns;
- (j) maintain a register, relying on the Claims List (defined below) provided by the Debtors, evidencing the beneficial interest held by each Beneficiary in the Creditor Trust as part of the Creditor Trustee's books and records;
- (k) administer, reconcile, compromise, estimate, or resolve Claims according to the provisions and limitations of the Plan Documents (including filing objections to Claims where appropriate);
- (l) establish reserves for Disputed Claims, taxes, assessments, Professional fees, and other expenses necessary for the proper operation of matters incidental to properly administering the Creditor Trust;
- (m) make distributions called for under the Plan Documents;
- (n) open and maintain bank accounts on the Creditor Trust's behalf, or in its name;
- (o) pay expenses and make disbursements necessary to preserve, liquidate, and enhance the Creditor Trust Assets;
- (p) purchase insurance coverage the Creditor Trustee deems necessary with respect to the liabilities and obligations of the Creditor Trustee (in the form of an errors and omissions policy, fiduciary policy, or otherwise);
- (q) purchase insurance coverage the Creditor Trustee deems necessary with respect to real and personal property, which may be or become Creditor Trust Assets;

- (r) retain and pay Professionals and Non-Professionals as provided for in Section 10.1 of this Agreement to assist the Creditor Trust or the Creditor Trustee with respect to its responsibilities to the extent permitted by the Plan Documents;
- (s) take actions necessary to close or dismiss the Chapter 11 Cases;
- (t) take actions necessary to terminate the existence of the Debtors, to the extent not already effectuated by the Plan;
- (u) terminate and dissolve the Creditor Trust according to the terms of the Plan and this Creditor Trust Agreement;
- (v) assume any other powers that may be vested in—or assumed by—the Creditor Trust under the Plan or by an order of the Bankruptcy Court, or that may be necessary to properly carry out the provisions of the Plan Documents;
- (w) withhold from the amount distributable to any person or entity, amounts sufficient to pay any tax or other charges which the Creditor Trustee determines, based upon advice of its agents and professionals, may be required to be withheld under applicable income tax laws of the United States, or any state or local government body; and
- (x) take any and all actions authorized or required by the Plan Documents or as otherwise approved by the Oversight Committee.

3.6 Limits to Creditor Trustee's Authority; No Ongoing Business

- 3.6.1 The Creditor Trustee's authority is limited to the provisions of the Plan Documents. For federal tax purposes, the Creditor Trustee does not have authority to engage in any trade or business with respect to the Creditor Trust Assets, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Creditor Trust.
- 3.6.2 The Creditor Trustee must take such actions consistent with the prompt orderly liquidation of the Creditor Trust Assets as required by applicable law and consistent with the treatment of the Creditor Trust as a Liquidating Trust under Treas. Reg. § 301.7701-4(d), to the extent such actions are permitted by this Creditor Trust Agreement.
- 3.6.3 The Creditor Trustee does not have authority to issue new securities for the Debtors.

3.7 Other Activities of the Creditor Trustee

The Creditor Trustee is entitled to be employed by third parties while serving as Creditor Trustee for the Creditor Trust; *provided, however*, that such employment cannot include actions or representations of parties adverse to the Creditor Trust.

3.8 Investment & Safekeeping of Creditor Trust Assets

- 3.8.1 Until distributed or paid over as provided by this Creditor Trust Agreement, all monies and other assets received by the Creditor Trust will be held in trust for the benefit of the Beneficiaries but need not be segregated from other Creditor Trust Assets.
- 3.8.2 The Creditor Trustee must promptly invest any such monies in the manner set forth in this Creditor Trust Agreement but will otherwise be under no liability for interest or income on any monies received by the Creditor Trust and held for distribution or payment to the Beneficiaries, except as such interest is actually received by the Creditor Trustee.
- 3.8.3 Investment of any monies held by the Creditor Trust will be administered according to the Creditor Trustee's general duties and obligations, and in view of the Creditor Trustee's general fiduciary duties under Illinois law. The rights and powers of the Creditor Trustee to invest the Creditor Trust Assets transferred to the Creditor Trust, the proceeds of those assets, or any income earned by the Creditor Trust, are limited to the right and power to:
- (a) invest such Creditor Trust Assets (pending distributions according to the Plan and the Confirmation Order) in (i) short-term direct obligations of, or obligations guaranteed by, the United States of America; or (ii) short-term obligations of any agency or corporation which is or may hereafter be created by or pursuant to an act of the Congress of the United States as an agency or instrumentality thereof; or
 - (b) deposit such assets in demand accounts at any bank or trust company, which has, at the time of the deposit, a capital stock and surplus (collectively, the "***Permissible Investments***"); *provided, however*, that the scope of any Permissible Investments is limited to only those investments that a Liquidating Trust, within the meaning of Treas. Reg. § 301.7701-4(d), is permitted to hold, pursuant to the Treasury Regulations, or any modification in the Internal Revenue Service ("***IRS***") guidelines, whether set forth in IRS rulings, other IRS pronouncements, or otherwise.

3.9 Authority to Expend Creditor Trust Assets

The Creditor Trustee may expend assets of the Creditor Trust to the extent necessary to:

- (a) satisfy and discharge liabilities and to maintain the value of the Creditor Trust Assets during liquidation;
- (b) pay Creditor Trust Expenses (including taxes imposed on the Creditor Trust, and fees and expenses related to litigation or compensation of the Creditor Trustee according to Section 4.1 of this Agreement);

- (c) satisfy other liabilities incurred or assumed by the Creditor Trust (or to which the Creditor Trust Assets are otherwise subject) according to the Plan Documents; and
- (d) make distributions to Beneficiaries on account of their Allowed Claims according to the Plan Documents.

ARTICLE IV THE CREDITOR TRUSTEE

4.1 Compensation

- 4.1.1 Subject to Section 10.2 of this Agreement, the Creditor Trustee may receive reasonable compensation for services rendered on behalf of the Creditor Trust, including reasonable compensation for preparing this Creditor Trust Agreement. All compensation and other amounts payable to the Creditor Trustee will be paid from the Creditor Trust Assets by the Creditor Trustee upon receipt of periodic billings.
- 4.1.2 The Creditor Trust will reimburse the Creditor Trustee for its actual reasonable out-of-pocket expenses incurred, including any expenses or liabilities incurred under Sections 1.6 or 8.4 of this Agreement, and which may also include postage, telephone, and facsimile charges upon receipt of periodic billings. All compensation and reimbursement for expenses payable to the Creditor Trustee will be paid from the Creditor Trust Assets in priority over any distributions to Beneficiaries to be made under the Plan.
- 4.1.3 The majority of work performed on behalf of the Creditor Trust will be performed by the Professionals employed by the Creditor Trustee, who will be compensated by the Creditor Trust following the Creditor Trustee's review of such fees and expenses as set forth in Section 10.1 of this Agreement.

4.2 Term of Service

The Creditor Trustee will serve until the earliest occurrence of one of the following circumstances:

- (a) completion of all the Creditor Trustee's duties, responsibilities, and obligations under the Plan Documents;
- (b) termination of the Creditor Trust under this Creditor Trust Agreement; or
- (c) the Creditor Trustee's resignation or removal.

4.3 No Bond

The Creditor Trustee will serve without bond.

4.4 Removal

4.4.1 The Creditor Trustee may be removed for cause at any time by any person upon entry of an order of the Bankruptcy Court following notice and a motion for removal served upon the Creditor Trustee (and its Professionals); provided, however, that the Creditor Trustee may not be removed until a successor Creditor Trustee has been named. Any person seeking removal of the Creditor Trustee through an order of the Bankruptcy Court must demonstrate to the Bankruptcy Court that such removal is appropriate for cause. The removal will be effective on the date specified in the order granting such a motion.

4.4.2 “Cause” includes, without limitation:

- (a) the undue prolongation of the duration of the Creditor Trust and of distributions of the Creditor Trust Assets to the Beneficiaries;
- (b) gross negligence, fraud or willful misconduct (as determined by a Final Order) in connection with the affairs of the Creditor Trust;
- (c) a physical or mental disability that substantially prevents the Creditor Trustee from performing the duties of a Creditor Trustee under this Creditor Trust Agreement; or
- (d) an intentional breach of fiduciary duty or an unresolved conflict of interest by the Creditor Trustee.

4.5 Resignation

The Creditor Trustee may resign by giving written notice to the notice parties named in Section 13.9 of this Agreement, at least 30 days before the effective date of its resignation or shall be deemed to have resigned due to death or incapacity. The resignation will be effective on the latest of: (i) the date specified in the notice or date of death or determination of incapacity; (ii) the date that is 30 days after the date the notice is delivered; or (iii) the date the successor Creditor Trustee accepts his or her appointment as such.

4.6 Appointment of Successor Trustee

4.6.1 In the event the Creditor Trustee resigns, the Oversight Committee must designate a successor Creditor Trustee acceptable to the Bankruptcy Court to be appointed by motion before the Bankruptcy Court, within 15 days before the proposed effective date of its resignation.

4.6.2 In the event the Creditor Trustee is removed, any Beneficiary may petition the Bankruptcy Court to appoint a proposed successor Creditor Trustee within 30 days after the occurrence of the Creditor Trustee’s removal, by filing a written motion with the Bankruptcy Court seeking the appointment of a successor Creditor Trustee, and serving such motion on the removed Creditor Trustee, its counsel, counsel for the Debtors, the U.S. Trustee, and parties entitled to notice in the Chapter 11 Cases under Bankruptcy Rule 2002.

4.6.3 If the Creditor Trustee or any Beneficiary fails to appoint a successor Creditor Trustee within the prescribed periods, then the Bankruptcy Court may independently appoint a successor Creditor Trustee.

4.6.4 Any successor Creditor Trustee appointed under this Creditor Trust Agreement must execute an instrument accepting the appointment, notice of which must also be submitted to the Bankruptcy Court by filing notice of such appointment on the docket in the Chapter 11 Cases and attaching a copy of such instrument to the notice. Upon submission of the written acceptance to the Bankruptcy Court, the successor Creditor Trustee will be vested with all of the properties, rights, powers, trusts and duties of its predecessor in the Creditor Trust with like effect as if originally named the Creditor Trustee under this Creditor Trust Agreement; *provided, however*, that the removed or resigning Creditor Trustee must, nevertheless, when requested in writing by the successor Creditor Trustee, execute and deliver any reasonable instrument or instruments conveying and transferring to the successor Creditor Trustee the estate, properties, rights, powers and trusts of the removed or resigning Creditor Trustee.

4.7 Creditor Trust Continuance

The resignation or removal of the Creditor Trustee will not terminate the Creditor Trust, revoke any existing agency created under this Creditor Trust Agreement, nor invalidate any of the Creditor Trustee's actions preceding such resignation or removal.

ARTICLE V CREDITOR TRUST BENEFICIARIES

5.1 Identification of Beneficiaries

The beneficial interests of each Beneficiary of the Creditor Trust will be recorded and set forth in the Claims List maintained by the Creditor Trustee.

5.2 Beneficial Interest Only

Ownership of a beneficial interest in the Creditor Trust does not entitle any Beneficiary or the Debtors to: (i) any title in—or to—the Creditor Trust Assets; (ii) or to any right to call for a partition or division of such Creditor Trust Assets; or (iii) to require an accounting, except as specifically provided in this Creditor Trust Agreement.

5.3 Ownership of Beneficial Interests in Creditor Trust

Each Beneficiary owns a beneficial interest in the Creditor Trust Assets, equal in proportion to the Pro Rata share of such Beneficiary's Allowed Claim, according to the Plan.

5.4 Evidence of Beneficial Interests

Ownership of a beneficial interest will be evidenced on the Claims List only. Ownership of a beneficial interest will not be evidenced by any certificate, security, or receipt.

5.5 Limits on Transferability

5.5.1 Beneficial interests in the Creditor Trust are non-assignable during the term of this Creditor Trust Agreement except by operation of law. An assignment by operation of law will not be effective until appropriate notice and proof of such assignment is submitted to the Creditor Trustee; and the Creditor Trustee may continue to pay all amounts to or for the benefit of the assigning Beneficiary until it receives proper notice and proof of the assignment by operation of law. The Creditor Trustee may rely upon such proof without the requirement of any further investigation.

5.5.2 Notice of a change of beneficial interest ownership as permitted by operation of law must be submitted to the Creditor Trustee by registered or certified mail according to the notice provisions set forth in Section 13.10 of this Agreement. The notice must be executed by both the transferee and the transferor, and the signatures of the parties must be acknowledged before a notary public and as required by Bankruptcy Rule 3001(e). The notice must clearly describe the interest to be transferred. The Creditor Trustee may conclusively rely upon such signatures and acknowledgments as evidence of such transfer without the requirement of any further investigation.

5.6 Conflicting Claims

If any conflicting claims or demands are made or asserted with respect to the Creditor Trust Assets, or if there is any disagreement between the assignees, transferees, heirs, representatives or legatees succeeding to all or a part of the Creditor Trust Assets, resulting in adverse claims or demands being made in connection with such assets, then the Creditor Trustee may refuse to comply with the conflicting claims or demands. In so refusing, the Creditor Trustee may elect to make no payment or distribution of the Creditor Trust Assets that are the subject of the claims or demands involved, and to refer such conflicting claims or demands to the Bankruptcy Court, which will have exclusive jurisdiction to resolve conflicting claims or demands. The Creditor Trustee is not, and will not become, liable to any party for refusing to comply with any conflicting claims or demands, and will not be liable for interest on any funds withheld. The Creditor Trustee will be entitled to refuse to act until: (i) the rights of the adverse claimants have been adjudicated by a Final Order of the Bankruptcy Court; or (ii) all differences have been resolved by a valid written agreement among all parties to the conflict or demand, and the Creditor Trustee.

ARTICLE VI DISTRIBUTIONS

6.1 Timing and Methods of Distributions

6.1.1 Generally

The Creditor Trustee will make all distributions to the Beneficiaries on behalf of the Creditor Trust as set forth in and required by the Plan Documents. Unless the entity or Person receiving a payment agrees otherwise, the Creditor Trustee, in its

sole discretion, will make payments in Cash by check drawn on a domestic bank or by wire transfer from a domestic bank.

6.1.2 *Priority of Distributions*

After payment of all unpaid Creditor Trust Expenses, the Creditor Trustee, in its good faith judgment and based on available Creditor Trust Assets and subject to any reasonable reserves established by the Creditor Trustee, will distribute all remaining Cash to Holders of Allowed Claims, Pro Rata in the order of priorities established by the Plan.

The Creditor Trustee may withhold from amounts distributable to any Person or entity any amounts the Creditor Trustee determines should be withheld in its reasonable discretion, or as required by any law, regulation, rule, ruling, directive, or other government equivalent of the United States or any political subdivision thereof, or to otherwise facilitate the proper administration of the Creditor Trust.

6.1.3 *Distributions by the Creditor Trustee*

Subject to the provisions of this Article VI, the Creditor Trustee will make an initial distribution (the “***Initial Distribution***”) of Cash (including cash equivalents), to the Beneficiaries as soon as practicable. All subsequent distributions will be made to Beneficiaries on dates to be determined by the Creditor Trustee in its sole discretion.

The Creditor Trustee will make distributions to the Beneficiaries of all net Cash income (including cash equivalents), subject to applicable reserves from time to time, at such time intervals as decided by the Creditor Trustee (but within a reasonable time after creation of a disputed claims reserve (“***Disputed Claims Reserve***”) determined to be sufficient to make Pro Rata distributions on Disputed Claims and to pay the Creditor Trust Expenses in full), pursuant to the terms of the Plan and the Confirmation Order.

The Creditor Trustee may cause the Creditor Trust to retain an amount of Cash reasonably necessary to maintain the value of its assets and to pay projected Administrative Expenses of the Creditor Trust.

6.1.4 *Withholdings from Distributions*

The Creditor Trustee may withhold from any distribution a sum sufficient to pay any required tax or other charge imposed on a Person, entity, or the Creditor Trust (except with respect to distributions to the IRS) under the income tax laws of the United States or of any state or political subdivision either, by reason of any distribution provided for in this Creditor Trust Agreement.

The Creditor Trustee may enter into agreements with taxing or other authorities for the payment of amounts withheld according to the provisions of Section 3.4 of this Agreement.

Any Person or entity subject to a withholding from a distribution will have the right with respect to the United States, or any state, or any political subdivision of either, to contest the imposition of any tax or other charge against any distribution made by the Creditor Trustee.

6.1.5 *Claims Lists*

The Debtors will provide a list to the Creditor Trustee reflecting all of the claims from the Debtors' bankruptcy schedules and the claims registers maintained by the Clerk of the Bankruptcy Court in each of the Chapter 11 Cases for each Debtor (the "*Claims List*").

The Creditor Trustee is entitled to rely upon the Debtors' schedules, the filed claims, and the Debtors' books and records to determine the validity, amount, and priority of any Claim, and retains the right to further investigate the validity, amount, and priority of any Claim for purposes of objection to or adjustment of such Claim. The creation and maintenance of the Claims List will not impair the right of the Creditor Trustee to object to the allowance of any Claim as provided in Section 3.2 of this Agreement.

6.2 Delivering Distributions

Subject to the provisions of Bankruptcy Rule 2002(g) and this Creditor Trust Agreement, distributions and deliveries to Holders of Allowed Claims will be made at the address of each Holder, as set forth on the Claims List.

6.3 No Postpetition or Post-Confirmation Interest on Claims

6.3.1 Unless required by applicable bankruptcy law, or expressly allowed by the Plan or Confirmation Order, or any contract, instrument, release, settlement, or other agreement entered into in connection with the Plan, postpetition interest will not accrue on account of any Claim.

6.3.2 Post-Confirmation Date interest will similarly not accrue on account of any Claim.

6.4 Undeliverable & Lapsed Distributions

6.4.1 If any distribution is returned to the Creditor Trustee as undeliverable without forwarding information, no further distributions will be made on the Claim at issue, unless the Creditor Trustee is notified in writing of the appropriate address to submit the distribution. Upon receipt of a notice of appropriate address, the Creditor Trustee will remit any missed distributions to the relevant party, without interest.

6.4.2 The Creditor Trustee is not required to attempt to locate any Holder of an Allowed Claim.

6.4.3 If a distribution on an Allowed Claim is returned to the Creditor Trustee as undeliverable, but includes specific forwarding information, the Creditor Trustee will attempt to make the distribution using the forwarding information provided.

6.4.4 Any unclaimed distributions that are not redistributed to remaining Beneficiaries because such redistributions fall below the distribution threshold of \$25.00 to individual beneficiaries, or remain uncashed for any other reason after 90 days following such redistribution, may be, at the Creditor Trustee's option and net of costs, deposited with the Clerk or Court, or donated *cy pres* to the Bankruptcy Help Desk Foundation established to support the help desk for the Bankruptcy Court.

6.5 Compliance with Tax Requirements & Allocations

To the extent applicable, the Creditor Trust will comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions under the Plan and Confirmation Order will be subject to such withholding and reporting requirements. For tax purposes, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest.

6.6 Fractional Dollars & *de minimis* Distributions

6.6.1 Except as provided in this Creditor Trust Agreement, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan Documents would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down.

6.6.2 The Creditor Trustee is not required to make any payment of less than \$25.00 on account of any Allowed Claim. To the extent that any interim distribution is not paid to a Beneficiary on the grounds that it amounts to less than \$25.00, the amount of the withheld distribution will be reserved for addition to any future distribution, or as the final distribution to such Beneficiary, and may be made at that time if the total distribution is at least \$25.00.

6.7 Setoffs

The Creditor Trustee may, under §§ 502(d) or 553 of the Bankruptcy Code or applicable non-bankruptcy law, setoff the claims, rights and Estate Causes of Action of any nature that the Creditor Trust may hold against a Beneficiary against the distributions to that Beneficiary called for by the Plan and Confirmation Order before any distribution is made. If the Creditor Trustee fails to affect a setoff or a Claim is otherwise allowed, neither occurrence will constitute a waiver or release by the Creditor Trust of any claims, rights, or Estate Causes of Action possessed against the Beneficiary.

6.8 Debtors' Subordination Rights Preserved

All rights and claims of the Debtors to subordinate the Claims of any Beneficiary will remain valid and enforceable by the Creditor Trust, unimpaired under § 510 of the Bankruptcy Code, and may be asserted by the Creditor Trustee.

6.9 Interest

Unless otherwise required by applicable bankruptcy law, or specifically provided for herein, post-petition interest shall not accrue or be paid on any Claims, and no holder of a Claim shall be entitled to interest or fees accruing on or after the Petition Date on any Claim.

In accordance with Section 502(b)(2) of the Bankruptcy Code, the amount of all prepetition Claims against Debtor shall be calculated as of the Petition Date. Except as otherwise explicitly provided in the Plan, in section 506(b) of the Bankruptcy Code, or by Final Order, no Holder of a prepetition Claim shall be entitled to or receive interest or fees relating to such Claim.

ARTICLE VII

PROCEDURES FOR RESOLVING DISPUTED, CONTINGENT, & UNLIQUIDATED CLAIMS

7.1 Objections to Claims; Prosecuting Disputed Claims

7.1.1 The Creditor Trustee may file objections to Claims, even if a Claim was scheduled by the Debtors as undisputed, liquidated, and non-contingent. The Creditor Trustee has the authority to file, settle, compromise, or withdraw objections to Claims without approval of the Bankruptcy Court.

7.1.2 The Creditor Trustee must file objections to Claims before the latest of the following occurs:

- (a) 180 days after the Effective Date of the Plan (unless extended by an order of the Bankruptcy Court or by stipulation between the parties);
- (b) The time period set forth in Section VIII.B. of the Plan to File objections to Administrative Expenses, Priority Claims, or Class 2 General Unsecured Claims, subject to extension by order of the Bankruptcy Court;
- (c) 45 days after a proof of claim is filed to document a Claim; or
- (d) the expiration of another period of limitation fixed by the Plan, Confirmation Order, the Bankruptcy Rules, or a Final Order of the Bankruptcy Court.

7.1.3 The dates set forth in Section 7.1.2 of this Agreement may be extended by the Bankruptcy Court.

7.2 Estimating Claims

7.2.1 The Creditor Trustee may request that the Bankruptcy Court estimate any contingent or Disputed Claim under § 502(c) of the Bankruptcy Code, regardless of whether the Debtors, the Committee, or the Creditor Trustee previously objected to such Claim, or whether the Bankruptcy Court has ruled on any such objection.

- 7.2.2 The Bankruptcy Court will retain jurisdiction to estimate any Claim, at any time, during litigation concerning an objection to a Claim, including while an appeal relating to an objection is pending.
- 7.2.3 Subject to the provisions of § 502(j) of the Bankruptcy Code, in the event that the Bankruptcy Court estimates any contingent or Disputed Claim, the estimated amount will constitute the maximum allowed amount of the Claim. If the estimated amount constitutes a maximum limitation on the amount of the Claim, the Creditor Trust may pursue supplementary proceedings to object to the allowance of the Claim.
- 7.2.4 These procedures for objecting to, estimating, and resolving contingent or Disputed Claims are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

7.3 Disputed Claims

- 7.3.1 If the Creditor Trustee has objected to a Claim, or alternatively, if a Claim Holder is subject to an Avoidance Action in which the Creditor Trustee has sought to disallow the Holder's Claim under § 502(d) of the Bankruptcy Code, distributions on the Claim will be withheld, limited to the amount actually in dispute. An objection will not affect payments or distributions under the Plan on any undisputed portion of the Claim.
- 7.3.2 The Creditor Trustee may, but is not required to, maintain one or more Disputed Claims Reserve called for under the Plan Documents.
- 7.3.3 Once a Disputed Claim becomes an Allowed Claim under a Final Order entered by the Bankruptcy Court, the Creditor Trustee will, as soon as practicable, make a distribution from the respective Disputed Claims Reserve to the Holder of the Allowed Claim in the amount allowed, as if the Claim were an Allowed Claim on the Confirmation Date, less the Holder's share of any taxes paid or payable from a Disputed Claims Reserve.
- 7.3.4 If a Disputed Claim is disallowed, in whole or part, the Creditor Trustee will reallocate the amounts held in the Disputed Claims Reserve corresponding to the disallowed portion of the Disputed Claim among the Beneficiaries and the Disputed Claims Reserve on behalf of remaining, unresolved, Disputed Claims, as applicable, to be distributed under Section 7.3.3 of this Agreement.

ARTICLE VIII LIABILITY & EXCULPATION

8.1 Standard of Liability & Sources of Recovery

- 8.1.1 Neither the Creditor Trustee, the Oversight Committee, nor any of their present and former affiliates, employees, advisors, attorneys, or agents acting in such capacity,

or any of their successors or assigns, will have or incur any liability to, or be subject to any right of action by, any person or entity, for any act or omission in connection with, relating to or arising out of, the Chapter 11 Cases, the pursuit of confirmation of the Plan or the Plan's implementation, except for their fraud, willful misconduct or gross negligence, and in all respects will be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan. These protections are not intended to and do not protect members of the Oversight Committee, in their individual capacities as prepetition creditors or recipients of prepetition transfers, from liability under chapter 5 of the Bankruptcy Code or objection to their claims.

8.1.2 The Creditor Trust, the Creditor Trustee, the Oversight Committee, or their respective Professionals, Non-Professionals, or other representatives may be held personally liable to the extent that the action taken or omitted to be taken by each of the same or their respective Professionals, Non-Professionals, or representatives is determined by a Final Order to be solely due to their own gross negligence, willful misconduct, fraud, or breach of fiduciary duty. Any act or abstention performed with the approval of the Bankruptcy Court or undertaken pursuant to the advice of counsel will be conclusively deemed not to constitute fraud or a breach of fiduciary duty.

8.1.3 Any Person dealing with the Creditor Trustee may look only to the Creditor Trust Assets to satisfy any liability incurred by the Creditor Trustee in carrying out the terms of this Creditor Trust Agreement, and the Creditor Trustee will have no personal obligation to satisfy any such liability, unless a Final Order is entered finding the Creditor Trustee's actions after the Effective Date were solely due to the Creditor Trustee's own fraud or breach of fiduciary duty.

8.2 Reliance by Creditor Trustee

Subject to the limitations of the Plan, Confirmation Order, and Article III of this Agreement, the Creditor Trustee may rely, and will be protected in acting upon, any resolution, certificate, statement, installment, opinion, report, notice, request, consent, order, or other paper or document it reasonably believes to be genuine and signed or presented by the proper party. Further, the Creditor Trustee will not be liable for any action or abstention it reasonably takes at the advice of a Professional.

8.3 Reliance by Liquidating Trustee & Oversight Committee

Subject to the limitations of the Plan, Confirmation Order, and Article III of this Liquidating Trust Agreement, the Creditor Trustee and the Oversight Committee may rely, and shall be protected in acting upon, any resolution, certificate, statement, installment, opinion, report, notice, request, consent, order, or other paper or document it reasonably believes to be genuine and signed or presented by the proper party. Further, neither the Creditor Trustee nor the Oversight Committee shall be liable for any action or abstention it reasonably takes at the advice of a Professional.

8.4 Indemnification

The Creditor Trust will indemnify, defend, and hold harmless the Creditor Trustee and its respective employees, Professionals, Non-Professionals, and representatives from and against any claims, causes of action, liabilities, obligations, losses, damages, or expenses (including reasonable attorneys' fees and expenses) occurring after the Effective Date, other than to the extent determined by a Final Order to be solely due to their own respective gross negligence, willful misconduct, or fraud, or—solely in the case of the Creditor Trustee—fraud or breach of fiduciary duty, to the fullest extent permitted by applicable law.

8.5 Insurance

The Creditor Trustee may use Creditor Trust Assets to purchase and carry all insurance policies, and pay all insurance premiums and costs the Creditor Trustee deems reasonably necessary, including errors-or-omissions insurance for any losses it may incur, arising from its acts or omissions, or the consequences of such acts or omissions, other than as a result of fraud, willful misconduct, gross negligence or breach of fiduciary duty by the Creditor Trustee with respect to the implementation and administration of this Creditor Trust Agreement.

ARTICLE IX ADMINISTRATION OF THE CREDITOR TRUST

9.1 Books & Records

- 9.1.1 The Creditor Trustee will maintain books and records relating to the Creditor Trust's assets; income; expense disbursements; liabilities; and claims made against or assumed by the Creditor Trust in such detail and for such period of time as the Creditor Trustee determines necessary to make a full and proper accounting for the Creditor Trust, and to comply with applicable provisions of law.
- 9.1.2 The Creditor Trust is not required to file any accounting or seek approval of any court with respect to the administration of the Creditor Trust, or as a condition for making any payment or distribution out of the Creditor Trust Assets.
- 9.1.3 Subject to applicable privileges, the Beneficiaries may request a reasonable inspection (as determined by the Creditor Trustee) of the Creditor Trust books and records. Requests must be made in writing to the Creditor Trustee, and the Creditor Trustee will have 30 days following receipt of a request to inspect the Creditor Trust books and records to respond to the request.
- 9.1.4 Before inspecting the Creditor Trust books and records, the requesting Beneficiary must first enter into a confidentiality agreement satisfactory in form and substance to the Creditor Trustee; make such other reasonable arrangements for the inspection as requested by the Creditor Trustee; and bear all costs and expenses associated with the inspection.

9.2 Semi-Annual Reports

In addition to quarterly reports required to be filed to the Office of United States Trustee, the Creditor Trustee will periodically file reports (each a “***Semi-Annual Report***”) with the Bankruptcy Court containing a general narrative summary of the Creditor Trust’s activities for the reporting period, subject to any restrictions on disclosure due to confidentiality (see Section 13.6 of this Creditor Trust Agreement) or applicable privilege concerns.

The Creditor Trustee must file the Semi-Annual Reports with the Bankruptcy Court within 30 days after June 30 and December 31 of each calendar year during the term of this Creditor Trust Agreement following the Effective Date. The first Semi-Annual Report will be due July 30, 2020.

9.3 Legal Compliance

Any and all distributions of Creditor Trust Assets must comply with all applicable laws and regulations, including applicable federal and state tax and securities laws.

ARTICLE X PROFESSIONALS & NON-PROFESSIONALS

10.1 Retaining Professionals & non-Professionals

10.1.1 *Retaining Professionals*

Upon its appointment, the Creditor Trustee, with the consent of the Oversight Committee, may retain its own professionals (“***Professionals***”) as it may deem necessary according to this Creditor Trust Agreement. Professionals may include legal counsel, accountants, experts, advisors, consultants, investigators, appraisers, real estate brokers, auctioneers, and other professionals whose retention and employment the Creditor Trustee deems appropriate.

Professionals do not need to be “disinterested,” as defined by the Bankruptcy Code, and may include the attorneys and financial advisors employed by any party in the Chapter 11 Cases. The Creditor Trustee may retain such Professionals without further approval from the Bankruptcy Court; and the Creditor Trustee will be permitted to retain any such Professional in light of the efficiencies implicit in continuity. The Creditor Trustee’s retention of any such Professionals is deemed not to pose any conflict of interest, and no conflict will be deemed to exist by virtue of the filing of applications by Professionals for allowance of Administrative Expense Claims according to the provisions of the Plan.

10.1.2 *Retaining Non-Professionals*

Upon accepting its appointment as Creditor Trustee, the Creditor Trustee may retain its own non-professionals (“***Non-Professionals***,” referred to collectively with Professionals as “***Retained Parties***”) without seeking approval from any court or third party. Non-Professionals may include employees, independent contractors, or other agents whose retention and employment the Creditor Trustee deems

appropriate. Non-Professionals do not need to be “disinterested” as defined by the Bankruptcy Code, and may include employees, independent contractors, and agents of any party in the Chapter 11 Cases for efficiency.

10.1 Compensation for Professionals & Non-Professionals

The Creditor Trustee may pay the reasonable fees and expenses of the Creditor Trustee and each Retained Party as an expense of the Creditor Trust without application to the Bankruptcy Court.

10.2 Oversight Committee

10.2.1 *Creation & Composition*

The Oversight Committee shall be created on the Effective Date and governed by by-laws which shall provide for recusal on conflicts among other standard terms. The Oversight Committee shall be comprised of at least two and no more than three representatives of the Committee (or three Committee designees, should no member of the Committee be willing to serve. The Oversight Committee shall monitor the activities of the Creditor Trustee and otherwise exercise such rights and duties as are set forth in the Creditor Trust Agreement. Each member of the Oversight Committee shall serve until the earlier of: (i) his or her death or resignation; (ii) his or her removal pursuant to the Creditor Trust Agreement; and (iii) the termination of the Creditor Trust.

10.2.2 *Voting*

For all matters in which the Oversight Committee’s consent is required, as set forth in the Creditor Trust Agreement, each member of the Oversight Committee and, when necessary, the Liquidating Trustee shall be entitled to one vote each. Decisions shall be rendered by a majority decision. If three members of the Oversight Committee are available to vote, the Creditor Trustee shall abstain. If one member of the Oversight Committee is recused from voting due to its absence or any conflict that may arise, the Creditor Trustee shall have and may cast the deciding vote if the vote would otherwise split. If two members of the Oversight Committee, or one member and the Creditor Trustee, are recused from voting due to absence or a conflict, the matter voted upon must be approved by both remaining voting parties for any action on such matter. If all Oversight Committee members are recused from a matter up for vote, the Creditor Trustee shall decide the matter. In no case shall one member of the Oversight Committee have the sole authority to approve a matter requiring a vote. A voting matter requiring action or direction that cannot be resolved by the Oversight Committee and the Creditor Trustee may be brought by the Liquidating Trustee on motion to the Bankruptcy Court for authority or direction.

Pursuant to the Creditor Trust Agreement, the Creditor Trustee will need either the consent of the Oversight Committee or approval of the Bankruptcy Court for the following actions:

- i. The sale or liquidation of an Estate Asset for an amount equal to or greater than \$200,000;
- ii. The settlement of a Cause of Action for which damages of \$200,000 or more had been sought;
- iii. The allowance of a Disputed Claim that was Filed in an unliquidated amount or equal to or greater than \$200,000; or
- iv. The estimation of a Disputed Claim for the purposes of maintaining Reserves in accordance with the Plan or for other purposes.

The Oversight Committee will additionally be responsible for deciding any matter in which the Creditor Trustee is deemed to have a conflict, subject to the voting requirements and limitations above.

10.2.3 *No Compensation*

For services rendered to the Oversight Committee, no member shall be entitled to (i) compensation for services rendered on behalf of the Oversight Committee, (ii) enhancement of a Claim or Claims such member may have against one or more of the Debtors' Estates, or (iii) credit against any claims or causes of action asserted by or on behalf of any Debtors or their Estates against such member.

10.2.4 *Recusal*

Each Oversight Committee member and the Creditor Trustee shall recuse itself from discussion about any matter, and shall not vote on any voting matter, in which it has an actual or reasonably foreseeable conflict of interest.

10.2.5 *Removal of Oversight Committee Member*

An Oversight Committee Member may be removed at any time by the written consent of a majority of the Oversight Committee Members. Any removal shall be effective on the date specified in such consent or approval pursuant to this Section 10.2.5

10.2.6 *Resignation of Oversight Committee Member.*

An Oversight Committee Member may resign by giving not less than thirty (30) days prior written notice thereof to the other Oversight Committee Members and Creditor Trustee. Such resignation shall become effective on the later to occur of: (i) the day specified in such notice; or (ii) the appointment of a successor Oversight Committee Member (a "***Successor Oversight Committee Member***") by the other Oversight Committee Members and the acceptance by such Oversight Oversight Committee Member of such appointment.

10.2.7 *Appointment of Successor Oversight Committee Member upon Removal, Resignation, or Incapacity.*

If an Oversight Committee Member is removed pursuant to Section 10.2.5 hereof, resigns pursuant to Section 10.2.6 hereof, or otherwise is incapable of serving as an Oversight Committee Member, a Successor Oversight Committee Member shall be appointed by the other Oversight Committee Members. If a Successor Oversight Committee Member is not appointed or does not accept his or her appointment within thirty (30) days following (i) delivery of a notice of resignation of an Oversight Committee Member or (ii) the removal of an Oversight Committee Member, the Oversight Committee or Creditor Trustee may petition any court of competent jurisdiction for the appointment of a Successor Oversight Committee Member. Successor Oversight Committee Members shall be former members of Committee; provided, however, that if no former members of Committee are willing or able to accept appointment as a Successor Oversight Committee Member, any holder of an Allowed Class 2 General Unsecured Claim may be appointed.

10.2.8 *Acceptance of Appointment by Successor Oversight Committee Member.*

Any Successor Oversight Committee Member appointed hereunder shall execute an instrument accepting such appointment hereunder and shall deliver such acceptance to Creditor Trustee. Thereupon, such Successor Oversight Committee Member shall, without any further act, become vested with all the rights, powers, duties, and obligations of his or her predecessor in the Oversight Committee with like effect as if originally named herein.

**ARTICLE XI
TAXES**

11.1 Tax Returns & Payments

The Creditor Trustee is responsible for:

- (a) preparing and timely filing all required federal, state, and local tax returns for the Creditor Trust and the Debtors;
- (b) paying any taxes shown on such returns as owing by the Creditor Trust or the Debtors (as applicable) from applicable Creditor Trust Assets; and
- (c) preparing and distributing any necessary federal, state, or local information returns to the Beneficiaries.

The Creditor Trustee will retain all tax returns and supporting documentation until applicable statutes of limitation expire. The Creditor Trustee may also request an expedited determination of the taxes owed by the Debtors, the Creditor Trust, or any Disputed Claims Reserve under § 505(b) of the Bankruptcy Code for any tax return for which such determination may be requested.

11.2 Creditor Trust

The Creditor Trustee will file tax returns under Treas. Reg. § 1.671-4(a) on the basis that the Creditor Trust is a grantor trust that is a “Liquidating Trust” within the meaning of Treas. Reg. § 301.7701-4(d) and related regulations. For federal income tax purposes, the Creditor Trustee will allocate to the Beneficiaries their applicable shares of any income or loss of the Creditor Trust Assets, and such Beneficiaries will be subject to tax on the Creditor Trust Assets’ taxable income on a current basis.

As soon as reasonably practicable after the close of each calendar year, the Creditor Trustee will send each affected Beneficiary a statement setting forth the Beneficiary’s share of the Creditor Trust’s income, gain, deduction, loss, and credit for the year, and will instruct the Beneficiary to report all such items on the Beneficiary’s tax return for the year and pay any tax due with respect to these amounts. The Creditor Trustee may limit such returns to the classes of Beneficiaries it determines will receive a distribution.

11.3 Disputed Claims Reserve

The Creditor Trustee must, if necessary, file all applicable tax and other returns and statements for the Disputed Claims Reserve according to the requirements for discrete trusts taxed under § 641, *et seq.* of the Internal Revenue Code or as “disputed ownership funds” within the meaning of Treas. Reg. § 1.468B-9(b)(1), as applicable. The Creditor Trustee will also pay, from the applicable Creditor Trust Assets on a current basis, any taxes owed on any net income or gain of the Disputed Claims Reserve.

11.4 Tax Withholding & Reporting; Liability for Taxes

The Creditor Trustee (and its designees) will comply with all applicable tax withholding and reporting requirements imposed on him and the Creditor Trust by any governmental unit, and all distributions made under the Plan will be subject to applicable withholding and reporting requirements. The Creditor Trustee (and its designees) are authorized to take any actions necessary to comply with such tax withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, or establishing any other mechanism the Creditor Trustee believes is appropriate, including requiring Holders of Claims to submit appropriate tax and withholding certifications.

Notwithstanding anything in the Plan to the contrary, prior to making Distributions under the Plan and this Agreement, the Creditor Trustee shall require each Holder to furnish him with: (a) its Employer or Taxpayer Identification Number as assigned by the Internal Revenue Service on IRS Form W-9; and (b) a certification that the Holder is not a person or entity with whom it is illegal for a U.S. person to do business under Office of Foreign Assets Control (“*OFAC*”) sanctions regulations and/or the list of Specially Designated Nationals and Blocked Persons (collectively, the “*Pre-Distribution Certifications*”).

Pre-Distribution Certification forms will be mailed to the Distribution address for each Holder prior to Distributions being made, and Holders shall have 45 days from the date of mailing to return the executed Pre-Distribution Certifications. Any Holder that fails to return the executed Pre-Distribution Certifications within such 45 day period shall be

deemed to have forfeited its right to receive Distributions, and shall be forever barred and enjoined from asserting any right to Distributions made prior to the Creditor Trustee receiving its executed Pre-Distribution Certification (if such Holder is a Holder of an Allowed Class 2 General Unsecured Claim, it will only be entitled to a Pro Rata share of remaining future Distributions, if any). Any Distributions that are forfeited pursuant to this provision will be returned to the Creditor Trustee and become property of the Creditor Trust.

To the extent any Claim Holder fails to submit appropriate tax and withholding certifications as required by the Creditor Trustee, such Claim Holder's distribution may be deemed undeliverable and subject to the provisions of the Plan and this Creditor Trust Agreement governing undeliverable distributions. Each Person or entity receiving (or deemed to receive) a distribution under the Plan will have sole responsibility for paying any taxes imposed on them.

ARTICLE XII

TERMINATION OF THE CREDITOR TRUST & WIND DOWN OF DEBTORS

12.1 Duration & Extension

The Creditor Trustee will conduct the orderly wind down of the Debtors which may, in the Creditor Trustee's discretion, include formal dissolution of each of the Debtors. If no action is taken beforehand, the Debtors will be deemed to have dissolved upon the closing of the Creditor Trust. The Creditor Trustee will, following dissolution of the Debtors, retain the authority and have standing to continue or assert claims or pursue matters on behalf of the Debtors to the extent necessary to preserve, protect and liquidate the Creditor Trust Assets or otherwise necessary to administer the Creditor Trust. Following the wind-down and dissolution of the Debtors, entry of a Final Decree in the Chapter 11 Cases, and closing of the Creditor Trust, the Creditor Trustee is authorized—and retains the right—to liquidate any remaining or later-discovered Estate Assets.

12.2 Five Year Term

If, after five (5) years from the Effective Date of the Plan, the dissolution and termination of the Creditor Trust has not occurred pursuant to Section 11.1, and Creditor Trustee determines that the facts and circumstances necessitate an extension of the duration of the Creditor Trust in order to effectuate its purpose, the Creditor Trust may be extended for a period of twelve (12) months. The Creditor Trustee may, upon the expiration of the extended term, seek additional extensions of twelve (12) months if warranted by the facts and circumstances. Any extension of the duration of the Creditor Trust, as provided for herein, shall be subject to approval by the Bankruptcy Court, provided, however, that prior to requesting such extension, Creditor Trustee must retain an opinion of counsel or a favorable ruling from the IRS that any further extension would not adversely affect the status of the Trust as a Grantor Trust for Federal income tax purposes. The Creditor Trustee shall seek approval of any such extension within sixty (60) days of the expiration of the initial five (5) year term or any extension thereof.

12.3 Termination Upon Distribution of All Creditor Trust Assets

The Creditor Trust will terminate, and the Creditor Trustee will bear no additional responsibilities in connection to the Creditor Trust, except the actions necessary to effectuate termination under relevant law, and except as described in Section 12.1 of this Agreement, upon the occurrence of all of the following circumstances:

- (a) payment of all costs, expenses, and obligations incurred in connection with administering the Creditor Trust;
- (b) distribution of all remaining Creditor Trust Assets;
- (c) closure or dismissal of the Chapter 11 Cases; and
- (d) completion of any necessary or appropriate reports, tax returns or other documentation determined necessary by the Creditor Trustee, in its reasonable discretion.

12.4 Diligent Administration

The Creditor Trustee is responsible for diligently administering the Creditor Trust. The Creditor Trustee will seek to resolve, settle, or otherwise dispose of all claims that constitute Creditor Trust Assets, and make distributions of the Creditor Trust Assets to Beneficiaries according to the terms of the Plan Documents. The Creditor Trustee may not unduly prolong the duration of the Creditor Trust, seeking its termination as soon as practicable while carrying out its duties and responsibilities under the Plan Documents.

12.5 Notice of Termination; Authority to Conclude Trust Administration; Retention of Documents

Upon the termination of the Creditor Trust, the Creditor Trustee must file a written notice of the termination with the Bankruptcy Court.

After the termination of the Creditor Trust, the Creditor Trustee will retain the power to exercise all the rights, powers, and privileges conferred on him by the Plan Documents solely for the purpose of liquidating and concluding the affairs of the Creditor Trust.

For five years after the distribution of all of the Creditor Trust Assets, subject to there being sufficient funds remaining to cover the costs of storing the books and records of the Creditor Trust, the Creditor Trustee will retain the books, records, and files that were delivered to, or created by, the Creditor Trustee. After the conclusion of this five year period, the Creditor Trustee may dispose of the books, records, and files in any manner it deems appropriate.

ARTICLE XIII OTHER GENERAL PROVISIONS

13.1 Privilege Preserved

Any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications in connection with the Creditor Trust Assets are transferred to the Creditor Trust and vested in the Creditor Trust and its

representatives. The Creditor Trustee, the Debtors, and the Committee may take any actions necessary to effect the transfer of such privileges. For the avoidance of doubt, neither the Creditor Trustee nor the Creditor Trust will be treated as a successor to the Debtors and their Estates for any purpose.

13.2 Cooperation with the Creditor Trustee

13.2.1 The Committee, the Debtors, and their respective professionals will cooperate with the Creditor Trustee and provide it with access to, or copies of, books and records the Creditor Trustee reasonably requires for the purpose of performing its duties and exercising its powers under the Plan Documents.

13.2.2 The Creditor Trustee will compensate the Debtors, the Committee, and their respective professionals for their reasonable costs and fees relating to compliance with this Section 13.2 from the Creditor Trust Assets.

13.2.3 All third parties in possession of the Debtors' books and records must similarly cooperate with the Creditor Trustee, and the Creditor Trustee may seek appropriate relief from the Bankruptcy Court to the extent that a third party unreasonably refuses to cooperate with a request made by the Creditor Trustee.

13.3 Statutory Fees

Following the transfer of all Creditor Trust Assets to the Creditor Trust on and after the Effective Date and through the date that a final decree is entered in the Chapter 11 Cases, the Creditor Trust will be obligated to pay any U.S. Trustee fees under 28 U.S.C. § 1930(a)(6) on account of the Estates.

13.4 Prevailing Party

In the event of a dispute over the interpretation or enforcement of the provisions of this Creditor Trust Agreement, the prevailing party will be entitled to collect all costs, expenses, and fees, including attorneys' fees, from the non-prevailing party incurred in connection with the dispute or enforcement action.

13.5 Creditor Trustee's Implied Authority

No person dealing with the Creditor Trust is obligated to inquire into the authority of the Creditor Trustee to protect, conserve, or dispose of the Creditor Trust Assets.

13.6 Confidentiality

The Creditor Trustee, its employees, and Retained Parties (collectively, the "***Confidential Parties***") may become aware of certain material, non-public information relating to the Creditor Trust Assets ("***Confidential Information***") in their capacity as Confidential Parties. The Confidential Parties will hold any Confidential Information strictly

confidential, and not use the Confidential Information for personal gain. Confidential Parties may only disclose Confidential Information if the Confidential Information:

- (a) is, or becomes, generally available to the public other than by a disclosure made by a Confidential Party;
- (b) was available to the Confidential Parties on a non-confidential basis before its disclosure to the Confidential Parties under this Creditor Trust Agreement;
- (c) becomes available to the Confidential Parties on a non-confidential basis from a source other than their work in connection with the Debtors or the Creditor Trust, provided that the source is not also bound by a confidentiality agreement with the Debtors or the Creditor Trust; or
- (d) must be disclosed by the Confidential Parties because of a legal process including a subpoena or other court order, or other applicable laws or regulations.

If a third party makes a request for disclosure of Confidential Information from any Confidential Party under subparagraph (d) of this Section, the Confidential Party must promptly provide reasonable notice of the required disclosure to the Creditor Trustee in advance of the disclosure with enough time to allow the Creditor Trustee to object to, or otherwise prevent, disclosure of the Confidential Information by judicial or other means. The Confidential Party will cooperate reasonably with the Creditor Trustee to make any objection to disclosing Confidential Information, including appearing in any judicial or administrative proceeding in support of the Creditor Trustee's objection.

13.7 Governing Law; Submission to Jurisdiction; Service of Process

- 13.7.1 This Creditor Trust Agreement is governed by and construed under the laws of the State of Illinois, without giving effect to its rules governing conflicts of law. The Bankruptcy Court will have exclusive jurisdiction over any dispute arising from, or in connection with, the transactions contemplated by this Creditor Trust Agreement. The Parties consent to the exclusive jurisdiction of the Bankruptcy Court and its appropriate appellate courts, and irrevocably waive, to the fullest extent permitted by law, any objection they may have now or later to the laying of the venue of any dispute in the Bankruptcy Court, or that any dispute brought in the Bankruptcy Court is brought in an inconvenient forum.
- 13.7.2 This Creditor Trust Agreement is subject to any order or act of the Bankruptcy Court applicable to the Creditor Trust Agreement. Parties may be served with process anywhere in the world, within or without the jurisdiction of the Bankruptcy Court. Without limiting the provisions of this Section 13.7, the Parties agree that service of process on a party may be made upon the designated Person

or entity at the address provided in Section 13.9 of this Agreement and will be deemed effective service of process on that party.

13.8 Severability of Provisions

If any provision of this Creditor Trust Agreement, or the application of a provision of the Creditor Trust Agreement to any Person or circumstance, is finally determined invalid or unenforceable, to any extent, by a court of competent jurisdiction, the remainder of this Creditor Trust Agreement, or the application of the relevant provision of this Creditor Trust Agreement to other Persons or circumstances, will not be affected, remaining valid and enforceable to the fullest extent permitted by law.

13.9 Notices

Any notice or other communication made under this Creditor Trust Agreement to the Creditor Trustee must be in writing, and deemed sufficient for all purposes, if delivered via (i) personal delivery; (ii) first-class mail (unless registered or certified mail is required); (iii) facsimile; or (iv) electronic mail, to the parties and addresses set forth below, or such other addresses as such parties may file with the Bankruptcy Court:

To the Creditor Trustee:

Fred C. Caruso
Development Specialists, Inc.
10 S. LaSalle St., Ste. 3300
Chicago, IL 60603
Tel. 312.263.4141
Fax. 312.263.1180
Email: fcaruso@DSIConsulting.com

With a copy to:

Jonathan P. Friedland, Elizabeth B. Vandesteeg, and
Michael A. Brandess
Sugar Felsenthal Grais & Helsinger LLP
30 N. LaSalle St., Ste. 3000
Chicago, IL 60602
Tel. 312.704.9400
Fax. 312.372.7951
Email: jfriedland@sfgf.com
Evandesteeg@sfgf.com
mbrandess@sfgf.com

13.10 Notices to Beneficiaries

Any notice or other communication made under this Creditor Trust Agreement will be in writing, and deemed sufficient for all purposes, if deposited, postage prepaid, in a post office or letter box addressed to the person for whom such notice is intended to the name and address set forth on the Claims List.

13.11 Headings Used for Convenience Only

The Article and Section headings contained in this Creditor Trust Agreement are solely for the convenience of reference, and do not affect the meaning or interpretation of this Agreement.

13.12 Counterparts & Electronic Signatures

This Creditor Trust Agreement may be executed in counterparts and a facsimile or other electronic form of signature will bear the same force and effect as an original signature.

13.13 Amendment or Waiver

Any substantive provision of this Creditor Trust Agreement may be materially amended or waived by the Creditor Trustee with the approval of the Bankruptcy Court, upon notice and an opportunity for a hearing; but no change may be made to this Creditor Trust Agreement that would adversely affect the federal income tax status of the Creditor Trust as a “grantor trust,” if applicable.

Technical or non-material amendments to or waivers of portions of this Agreement may be made by the Creditor Trustee without the approval of the Bankruptcy Court, as necessary, to clarify this Creditor Trust Agreement, or to enable the Creditor Trust to effectuate the terms of this Creditor Trust Agreement.

13.14 Intervention

On the Effective Date, the Creditor Trustee will be deemed to have intervened or substituted as plaintiff, movant, defendant, or additional party, as appropriate, in any adversary proceeding, contested matter, Claim objection, or other motion filed before the Effective Date, where the subject matter of the action involves any Disputed Claim, Creditor Trust Asset, or Claim, to the extent the Claim impacts the Creditor Trust Assets.

[Execution Page Follows]

In Witness Whereof, the Parties to the Creditor Trust Agreement have either executed and acknowledged this Creditor Trust Agreement or caused it to be executed and acknowledged on their behalf by their duly authorized officers as of the date of the Creditor Trust Agreement.

**Official Committee of Unsecured Creditors
of Perfect Brow Art, Inc., *et al.***

**Fred C. Caruso, not individually, but
solely as Creditor Trustee of the Perfect
Brow Creditor Trust**

By: _____

Its: _____

Perfect Brow Art, Inc.

Perfect Brow Florida, Inc.

By: _____

By: _____

Its: _____

Its: _____

Perfect Brow Puerto Rico, Inc.

Perfect Brow New York, Inc.

By: _____

By: _____

Its: _____

Its: _____

Locks Rock, Inc.

P.B. Art Franchise, Inc.

By: _____

By: _____

Its: _____

Its: _____

Perfect Brow Oakland, Inc.

Ooh La La Beauty Bar Franchise, Inc.

By: _____

By: _____

Its: _____

Its: _____

APPENDIX B – LIQUIDATION ANALYSIS

Perfect Brow Art, Inc. *et al.*
Estimated Liquidation and Waterfall Analyses
As of November 30, 2019

	Notes	Chapter 7 Liquidation	Low Scenario Worst Case Scenario	Mid Scenario Mid Case Scenario	High Scenario Best Case Scenario
Sources:					
Cash - Book Balance @ 11/30	[1]	\$ 2,790,000	\$ 2,790,000	\$ 2,790,000	\$ 2,790,000
Due from / (to) BAM @ 11/30	[1]	(126,000)	(126,000)	(126,000)	(126,000)
Accounts Receivable Collections (10%, 25% and 50% of NBV @ 11/30)	[1]	207,000	83,000	207,000	414,000
Avoidance Actions / Other	[1]	unknown	unknown	unknown	unknown
		2,871,000	2,747,000	2,871,000	3,078,000
Uses:					
Chapter 11 Professional Costs:					
Unpaid Professional Fees - Through September 2019 (20%)	[2]	16,000	16,000	16,000	16,000
Unpaid Professional Fees - October 2019 (20%)	[2]	17,000	17,000	17,000	17,000
Unpaid Professional Fees - November 2019 (100%)	[2]	45,000	45,000	45,000	45,000
Estimated Professional Fees December 2019 - March 2020 Fees	[2]	250,000	300,000	250,000	200,000
Chapter 7 Trustee / Professionals / Administrative Costs	[2]	400,000	n/a	n/a	n/a
UST Fees (4 Quarters at \$1,625 and 1% of Cash)		37,000	35,000	37,000	39,000
		765,000	413,000	365,000	317,000
Other Admin Costs:					
Post Petition Rent (Closed and Rejected Locations)	[3]	355,000	415,000	355,000	295,000
Post Petition Winddown Costs through Confirmation	[3]	150,000	200,000	150,000	100,000
Other Post-Petition AP, Post Sale	[3]	90,000	100,000	90,000	70,000
		595,000	715,000	595,000	465,000
Cure Costs					
	[3]	185,000	190,000	185,000	180,000
		1,545,000	1,318,000	1,145,000	962,000
Cash Available for Secured Claims		1,326,000	1,429,000	1,726,000	2,116,000
Secured Claims (as Scheduled)	[3]	-	-	-	-
Cash Available for Priority Claims		1,326,000	1,429,000	1,726,000	2,116,000
Priority Claims:					
Scheduled Priority Tax Claims (Contingent)	[4]	Undetermined	Undetermined	Undetermined	Undetermined
Estimated Potential Additional Priority Tax Claims	[4]	100,000	125,000	100,000	75,000
		100,000	125,000	100,000	75,000
Cash Available for Allowed Unsecured Claims		\$ 1,226,000	\$ 1,304,000	\$ 1,626,000	\$ 2,041,000
		19.0%	19.5%	25.3%	33.0%
Unsecured Claims:					
GUC Claims (as Scheduled):					
Unpaid Rent		\$ 2,471,000	\$ 2,471,000	\$ 2,471,000	\$ 2,471,000
Post-Petition Rent (including Jan 2019 Stub Rent), Cured		(360,000)	(360,000)	(360,000)	(360,000)
Prepetition Rent Cured for Assumed Locations		(840,000)	(840,000)	(840,000)	(840,000)
Sub-Total: Unpaid Prepetition Rent		1,271,000	1,271,000	1,271,000	1,271,000
Credit Card Claims (Amex, BoA, Chase etc.)		341,000	341,000	341,000	341,000
Second Amended Promissory Note		387,000	387,000	387,000	387,000
Remaining Trade / Other		539,000	539,000	539,000	539,000
Potential Additional GUC POC's		500,000	750,000	500,000	250,000
		3,038,000	3,288,000	3,038,000	2,788,000
Lease Rejection Claims:					
Company: Closed/Rejected Stores (56 stores)		3,250,000	3,250,000	3,250,000	3,250,000
Franchise: Closed/Rejected Stores (2 stores)		150,000	150,000	150,000	150,000
		3,400,000	3,400,000	3,400,000	3,400,000
Estimated Allowed Unsecured Claim Base	[5]	\$ 6,438,000	\$ 6,688,000	\$ 6,438,000	\$ 6,188,000

Perfect Brow Art, Inc., et al.¹
Liquidation Analysis

OVERVIEW AND PURPOSES

The “best interests of creditors” test is set forth in section 1129(a)(7) of the Bankruptcy Code, and the Bankruptcy Court may not confirm a plan of liquidation unless the plan provides each holder of a claim or interest who does not otherwise vote in favor of the plan with property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtors were liquidated under chapter 7 of the Bankruptcy Code. See 11 U.S.C. § 1129(a)(7).² Accordingly, to demonstrate that the Plan satisfies the “best interests of creditors” test, the Debtors have prepared a hypothetical liquidation analysis (this “**Liquidation Analysis**”) presenting recoveries available assuming a hypothetical liquidation pursuant to a conversion to chapter 7 of the Bankruptcy Code, which is assumed to be as of March 31, 2020 (the “**Conversion Date**”).

The Liquidation Analysis presents information based on, among other things, the Debtors’ books and records, the results of the asset sale transaction described in the Disclosure Statement, and good- faith estimates regarding asset recoveries and claims resulting from a hypothetical liquidation undertaken under chapter 7 of the Bankruptcy Code. The Liquidation Analysis has not been examined or reviewed by independent accountants in accordance with standards promulgated by the American Institute of Certified Public Accountants. Although Debtor considers the estimates and assumptions set forth herein to be reasonable under the circumstances, such estimates and assumptions are inherently subject to significant uncertainties and contingencies beyond Debtors’ control. As a result, there can be no assurance that the results set forth by the Liquidation Analysis would be realized if Debtors were actually liquidated, and actual results in such a case could vary materially from those presented herein, and distributions available to members of applicable classes of claims could differ materially from the balances set forth by this Liquidation Analysis in such instance.

THE LIQUIDATION ANALYSIS IS A HYPOTHETICAL EXERCISE THAT HAS BEEN PREPARED FOR THE SOLE PURPOSE OF PRESENTING A REASONABLE, GOOD-FAITH ESTIMATE OF THE PROCEEDS THAT WOULD BE REALIZED IF THE DEBTORS WERE LIQUIDATED IN ACCORDANCE WITH CHAPTER 7 OF THE BANKRUPTCY CODE AS OF THE CONVERSION DATE. THE LIQUIDATION

¹ The debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal taxpayer-identification number, are: (i) Perfect Brow Art, Inc. (5731); (ii) Perfect Brow Florida, Inc. (5602), (iii) Perfect Brow Puerto Rico, Inc. (3497), (iv) Perfect Brow New York, Inc. (2041), (v) Locks Rock, Inc. (5046), (vi) P.B. Art Franchise, Inc. (0026), (vii) Perfect Brow Oakland, Inc. (5727), and (viii) Ooh La La Beauty Bar Franchise, Inc. (0714).

² Capitalized terms used but not defined herein shall have the meanings set forth in (a) *Debtors’ Disclosure Statement With Respect to the Joint Plan of Liquidation of Debtor and Official Committee of Unsecured Creditors* (the “**Disclosure Statement**”), to which this Liquidation Analysis is attached as **Appendix B**, or (b) the *Joint Chapter 11 Liquidating Plan of the Debtors and Official Committee Of Unsecured Creditors* (the “**Plan**”), as applicable.

ANALYSIS IS NOT INTENDED TO AND SHOULD NOT BE USED FOR ANY OTHER PURPOSE. THERE MAY BE A SIGNIFICANT DIFFERENCE BETWEEN THE LIQUIDATION ANALYSIS AND THE VALUES THAT MAY BE REALIZED, OR CLAIMS GENERATED IN AN ACTUAL LIQUIDATION.

SCOPE AND INTENT OF LIQUIDATION ANALYSIS

NOTHING CONTAINED IN THE LIQUIDATION ANALYSIS IS INTENDED TO BE, OR CONSTITUTES, A CONCESSION OR ADMISSION OF THE DEBTORS. THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE CHAPTER 11 CASES COULD MATERIALLY DIFFER FROM THE ESTIMATED AMOUNTS USED IN THE LIQUIDATION ANALYSIS.

The proofs of claim filed against Debtor have not been fully evaluated by the Debtors, their professionals or adjudicated by the Bankruptcy Court and, accordingly, the amount of the final allowed claims against the Debtors' estate may differ from the claim amounts used in this Liquidation Analysis.

NOTES TO THE WATERFALL LIQUIDATION MODEL

- Sources** – As described in the Disclosure Statement, the Debtors sold substantially all of their assets during the Chapter 11 Cases. The significant remaining assets of the estate include the current cash balance (\$2.664 million as of 11/30/19³), an accounts receivable portfolio (net book value of \$828,000 as of 11/30/19), and certain causes of action.

The estimated monetization value of accounts receivable collections under the chapter 11 scenario range from 10% to 50% of the net book value in the three scenarios – is based on review with management, and the discount is attributable to the Debtors' elongating the collection of outstanding receivables and the uncertainty regarding the collectability of the amounts due.

The estimated monetization value of the accounts receivable under a chapter 7 scenario assumes a 75% discount to net book value of accounts receivable as of 11/30/19.

This analysis does **not** capture potential proceeds from causes of action. However, to the extent this analysis did capture such analysis, we believe that the combination of Debtors and Creditor Trust professionals under a chapter 11 liquidation would be better positioned to prosecute such claims rather than a chapter 7 trustee due to their close familiarity with specific suppliers and related actions leading up to the filing.

³ The Debtors current cash balance of \$2.790 million includes funds that were collected on behalf of the purchaser, and are currently owed to the purchaser, net of applicable expenses paid on their behalf, in accordance with the Transition Services Agreement. As of 11/30/19, the estimated net amount owed to the purchaser is \$126,000.

2. Chapter 11 Professional Costs:

Unpaid and Estimated Professional Fees - Represents accrued and unpaid professional fees through November 2019 (e.g. holdbacks) and estimated professional fees from December 2019 through March 2020. The chapter 7 scenario assumes that the full amount of the estimated fees of \$300,000 in the worst-case scenario are not incurred through the Conversion Date.

Chapter 7 trustee fees, professional fees and other costs – Estimated to be 3% of distributable proceeds based upon the statutory cap on the compensation of a chapter 7 trustee as set forth in Section 326 of the Bankruptcy Code. Includes provision for professionals retained by the chapter 7 trustee, claims agent fees, and other costs of liquidating the estate. These fees could be higher if there is significant litigation over potential issues such as collection of transaction proceeds, claims disputes, or allocations of value or costs

3. Other Administrative and Cure Costs:

Other Administrative Costs – Current estimated range of accrued, unpaid post-petition expenses. The analysis assumes that all significant operational costs required under the Transition Services Agreements and the Debtors' related performance obligations under these agreements have been completed as of the Conversion Date. As a result, the analysis assumes the Debtors are not in breach of any post-petition obligations (and related potential administrative claims) under the Transition Services Agreements, or otherwise, because of a hypothetical chapter 7 conversion. The Liquidation Analysis was prepared prior to the deadline for filing all claims against the estates of the Debtors and the actual allowed amount of administrative claims, if any, may differ from the claim amounts used in this Liquidation Analysis.

Cure Costs – Current estimate of amounts owed on account of seven franchised locations and one corporate owned location. Included in this amount is the estimated unpaid legal fees owed to the respective landlords' attorneys.

4. Secured and Priority claims – The Debtors are not aware of any unpaid secured liabilities that were incurred prior to the Petition Date. Several taxing authorities have asserted secured, pre-petition tax liability-related claims. The Debtors do not believe that these liabilities are material. Additionally, the Debtors have received three notices from the Internal Revenue Service assessing an employer shared responsibility payment (ESRP) related to health insurance coverage for the 2016 calendar year. The aggregate amount of the ESRP's is approximately \$470,000. The Debtors dispute these amounts in their entirety and further note that the government did not file a proof of claim on or prior to the governmental bar date on or before the July 22, 2019.

5. **General Unsecured claims** – Analysis is based on a preliminary review of claims filed to date and comparison against scheduled claims. The prepetition claims bar date was 5/6/2019; however, this bar date does not apply to additional pre-petition contracts that were subsequently rejected. We believe the range used herein to estimate unsecured claims reasonably captures potential risk of additional claims that may be filed in the case and is based on the Debtors' preliminary calculation of potential rejection claims.

APPENDIX C – PRESERVED CAUSES OF ACTION

This Appendix C remains subject to further revision. The Plan Proponents expressly reserve the right to alter, modify, amend, remove, augment or supplement the following list at any time prior to the Confirmation Date.

Existing or potential Estate Causes of Action that may be pursued by the Creditor Trustee after the Effective Date include, without limitation: (i) any and all Estate Causes of Action pursuant to any applicable section of the Bankruptcy Code, including, but not limited to (a) any claims of the Debtors arising under § 362 of the Bankruptcy Code; (b) turnover claims arising under § 542 or 543 of the Bankruptcy Code; and (c) any Avoidance Actions; (ii) objections to Claims; (iii) claims that the Estates are entitled to set off or recoup against parties with Claims against the Estates; and (iv) any action for equitable subordination of any Claim against the Estates pursuant to § 510 of the Bankruptcy Code or otherwise.

Moreover, the Creditor Trustee may pursue existing or potential Estate Causes of Action related to any other litigation or Estate Causes of Action, whether legal, equitable, or statutory in nature, arising out of, or in connection with, the Debtors' business, assets, or operations, or otherwise affecting the Debtors, including without limitation, claims against the following types of parties for the following types of claims: (i) claims against vendors, customers, or suppliers for warranty, indemnity, charge-back/setoff issues, overpayment or duplicate payment issues, and collections/accounts receivable matters; (ii) claims against Persons or parties for wrongful or improper termination of services or goods to the Debtors; (iii) failure of any Persons or parties to fully perform under contracts with the Debtors before the assumption or rejection of such contracts; (iv) claims for deposits or other amounts owed by any creditor, lessor, supplier, vendor, factor, or other Person; (v) actions against insurance carriers relating to coverage, indemnity, or other matters; (vi) counterclaims and defenses relating to Claims against the Debtors; (vii) claims against local, state, and federal taxing authorities (including, without limitation, any claims for refunds of overpayments, challenges to audits, assessments, penalties, interest, or any other obligations imposed by governmental agencies); (viii) claims against the Debtors' officers, directors, or insiders as defined by § 101(31) of the Bankruptcy Code; and (ix) contract, tort, or equitable claims that may exist or subsequently arise.

Failure to include any Person in this Appendix C shall not constitute a release of such Person and shall not indicate that Estate Causes of Action against such Person have not been preserved. Moreover, failure to attribute any specific Estate Cause of Action to a particular Person in this Appendix C shall not mean that such Estate Cause of Action is not preserved against such Person. All possible Estate Causes of Action, including Estate Causes of Action not listed on this Appendix C, are retained against all Persons not expressly released pursuant to the Plan or a Final Order.

Claims Related to Contracts and Leases

Debtors expressly preserve all Estate Causes of Action based in whole or in part upon any and all contracts and leases to which the Debtors were a party or pursuant to which the Debtors had any rights whatsoever, regardless of whether such contract or lease is specifically identified herein. The Estate Causes of Action preserved include, among others, Estate Causes of Action against insurance companies, suppliers of goods and services, vendors, or any other parties: (a)

for overpayments, back charges, duplicate payments, improper holdbacks, deposits, warranties, guaranties, indemnities, recoupment or setoff; (b) for breach of contract, breach of implied covenant of good faith and fair dealing, unjust enrichment, suspension of services or supply of goods, or failure to meet other contractual or regulatory obligations; (c) for failure to fully perform under contracts with Debtors; (d) for payments, back charges, deposits, holdbacks, reserves or other amounts owed by any creditor, utility, supplier, vendor, insurer, surety, service provider, lessor or other party; (e) counterclaims and defenses related to any contractual obligations; (f) any turnover actions arising under section 542 or 543 of the Bankruptcy Code; (g) for unfair competition, interference with contract or potential business advantage, infringement of intellectual property or any tort claims; and (h) for any claims against Debtors' insurance carriers, including for payments or other amounts owed by such insurance carrier pursuant to contracts of insurance or settlement agreements with insurers.

Each Person with whom Debtors was a party to an Executory Contract is listed on Schedule G of each Debtor's *Schedules of Assets and Liabilities*, and Estate Causes of Action against such Persons are expressly preserved under the Plan. In addition, Debtors preserve all Estate Causes of Action against Persons whom were parties to non-executory contracts and leases with Debtors.

Insider Causes of Action

Debtors may have claims and Estate Causes of Action against the Debtors' Sole Shareholder and President, her ex-husband, Salim Gorgees, and others who may have conspired with or benefited from either of their improper conduct (collectively the "Potential Insider Defendants"). These Estate Causes of Action may be for, *inter alia*, the following: (i) preferential transfers pursuant to section 547 of the Bankruptcy Code; (ii) fraudulent transfers under section 548 of the Bankruptcy Code and applicable non-bankruptcy law; (iii) other avoidance claims under chapter 5 of the Bankruptcy Code; (iv) breaches of fiduciary duties, including breaches of the duty of care and loyalty; (v) improper distributions under applicable non-bankruptcy law; (vi) common law fraud under applicable non-bankruptcy law; (vii) equitable subordination pursuant to section 510 of the Bankruptcy Code or otherwise; and (viii) issuing or accepting illegal dividends. Among other things, the Potential Insider Defendants may be the subject of Estate Causes of Action to avoid and recover any transfers received by them as set forth in Part 2 of each Debtors' *Statement of Financial Affairs* (as amended, the "SOFA"), or to reduce, disallow, subordinate, or recharacterize any claims identified in Schedule D or E of each Debtors' Schedules.¹

Avoidance Actions

Debtors may have claims and Estate Causes of Action, arising under sections 502, 510, 541, 542, 544, 545, 547 through 551 and 553 of the Bankruptcy Code, or under related state or federal statutes and common law, including fraudulent transfer laws, against creditors, vendors, suppliers and other Persons to avoid and recover transfers of cash or other property from Debtors in applicable periods prior to the Petition Date.

Each Person listed on Part 2 of each SOFA received transfers from the respective Debtors in the 90-day period prior to the Petition Date and is therefore a potential subject of an Avoidance

¹ The SOFA and Schedules are expressly incorporated herein by reference.

Action that is expressly preserved under the Plan. In addition, each Person listed on Parts 4 and 13 of the SOFA may have received transfers avoidable under chapter 5 of the Bankruptcy Code or applicable non-bankruptcy law, and such claims are expressly preserved. Finally, any other Person (whether listed on the SOFA or Schedules or not) that received transfers of cash or property from Debtors in the four-year period prior to the Petition Date may have received transfers avoidable under chapter 5 of the Bankruptcy Code or applicable non-bankruptcy law, and such claims are expressly preserved. Finally, for the avoidance of doubt, Debtors' rights under any pending adversary proceeding are expressly preserved in all respects.

Claims Related to Accounts Receivable and Accounts Payable

Debtors expressly preserve all Estate Causes of Action against or related to all Persons that owe or that may in the future owe money to Debtor or the Creditor Trust regardless of whether such Person is explicitly identified in this Appendix C or in the SOFA or Schedules. Furthermore, Debtors expressly preserve all Estate Causes of Action against or related to all Persons that assert or may assert that Debtor or the Creditor Trust owes money to them.

Notwithstanding the generality of the foregoing, Debtors expressly preserve Estate Causes of Action against the following Persons, except to the extent such Causes of Action have been resolved by the Plan or a Final Order:

- All Parties holding deposits or prepayments refundable to Debtors, as set forth in Part 2 of each Schedule A/B
- All accounts receivable referenced in, or constituting a part of, Debtors' disclosures in Part 3 of each Schedule A/B
- All causes of action against third parties set forth in Part 11 of each Schedule A/B
- All other miscellaneous receivables and other rights to payment set forth in Part 11 of each Schedule A/B

Claims Against Brow Art 23

Debtors expressly preserve all Estate Causes of Action against or related to Brow Art 23 LLC ("BA 23") and its members, managers, directors, officers, agents, employees, professionals, successors, and assigns. BA 23 was named the Successful Bidder for Debtors' assets under the terms of an order approving such sale to BA 23 entered by the Bankruptcy Court on July 30, 2019. [Docket No. 425]. Following entry of this sale order, BA 23 failed to close the sale, forcing Debtors to seek an alternative asset purchaser. Debtors expressly preserve all Estate Causes of Action related to Brow Art 23's failure to close this transaction including, without limitation, claims based in fraud and breach of contract.

Other Pending Litigation Matters

Debtors are parties to certain pending and prospective litigation matters (both as plaintiff and defendant) for, among other things, collection of accounts receivable and breach of contract, workers' compensation, and personal injury. These litigation matters are disclosed by Debtors in Part 3 of the SOFA and Part 11, Item 74, of Schedule A/B. Debtors expressly preserve all claims,

defenses, cross-claims and counterclaims related to these pending and prospective litigation matters.

Additional Potential Claims Against

Debtors expressly preserve all Estate Causes of Action against or related to IDOL EYES FRANCHISE, LLC, an Illinois limited liability company formed by the Debtors' Sole Shareholder and President, including without limitation its members, managers, directors, officers, agents, employees, professionals, successors, and assigns.