

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:))	Chapter 11
))	
PUMPKIN PATCH LLC, ¹))	Case No. 09-12200 (BLS)
)	
Debtor.		

**FIRST AMENDED DISCLOSURE STATEMENT WITH
RESPECT TO PLAN OF REORGANIZATION OF PUMPKIN PATCH, LLC**

IMPORTANT DATES

- Date by which Ballots must be received: 4:00 p.m., prevailing Eastern Time, May 20, 2010 (Unless the Plan Proponents extend this date prior to the deadline.)

- Deadline by which objections to Confirmation of the Plan must be Filed and served: 4:00 p.m., prevailing Eastern Time May 20, 2010.

- Hearing on Confirmation of the Plan: 10:00 a.m., prevailing Eastern Time, May 27, 2010.

NIXON PEABODY LLP
Dennis J. Drebsky
Lee Harrington (DE No. 4046)
437 Madison Avenue
New York, New York 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111
E-mail: ddrebsky@nixonpeabody.com
E-mail: lharrington@nixonpeabody.com

Attorneys for the Debtors and Debtors-in-Possession

WOMBLE CARLYLE SANDRIDGE
& RICE, PLLC
Thomas M. Horan (~~DE Bar No. 4641~~)
222 Delaware Avenue, Suite 1501
Wilmington, DE 19801
Telephone: (302) 252-4339
Facsimile: (302) 661-7707
E-mail: thoran@wcsr.com

Attorneys for the Debtors and Debtors-in-Possession

Dated: Wilmington, Delaware
~~March 19~~ April, 2010

¹ The last four digits of Pumpkin Patch LLC's federal tax identification number are 4007. The mailing address for Pumpkin Patch LLC is ~~837 15th Street~~ 1112 Montana Ave., #~~D455~~, Santa Monica, CA 90403.---

I. EXECUTIVE SUMMARY

On June 29, 2009 (the “Petition Date”), Pumpkin Patch, LLC (the “Debtor”), filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The United States Trustee has not appointed an official committee of unsecured creditors. No trustee or examiner has been appointed.

On March 19, 2010, the Debtor filed with the Bankruptcy Court the Plan of Reorganization (the “Plan”), which sets forth the manner in which Claims against and Interests in the Debtor will be paid and/or otherwise liquidated. This disclosure statement (the “Disclosure Statement”) describes certain aspects of the Plan, the Debtor’s operations, significant events occurring during its Chapter 11 Case, and related matters. This Executive Summary is intended solely as a summary of the distribution provisions of the Plan and certain matters related to the Debtor’s business and is qualified in its entirety by the more detailed discussions and information appearing elsewhere in this Disclosure Statement and the Plan. FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS THERETO IN THEIR ENTIRETY. All capitalized terms not defined in this Disclosure Statement have the meanings ascribed to such terms in the Plan.

THE DEBTOR HAS APPROVED THE PLAN AND RECOMMEND THAT THE HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.

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

Under the Plan, Claims against and Interests in the Debtor are divided into Classes. The estimated aggregate amount of Claims in each Class and the amount and nature of distributions to holders of Claims or Interests in each Class are summarized in the table below. All creditors and interest holders should review the Disclosure Statement, the Plan and any accompanying ballots to determine the classification of their claims.

The estimated amounts of Claims shown in the table below are based upon the Debtor’s ongoing review of Claims and the Debtor’s books and records. These amounts may be revised following the completion of a detailed analysis of all filed Claims. The amount of any Disputed Claim that ultimately is allowed by the Bankruptcy Court may be significantly more or less than the estimated amount of such claim.

In addition, the Debtor’s estimates for recoveries by holders of Allowed Claims are based on the Debtor’s current view of (i) the likely amount of Allowed Administrative Claims incurred by the Debtor through confirmation of the Plan. There can be no guaranty that the Debtor’s estimates of Allowed Administrative Claims.

Each amount designated in the table below as “Estimated Percentage Recovery” for each Class is the quotient of the estimated Cash or other assets to be distributed to holders of Allowed Claims in such Class, divided by the estimated aggregate amount of Allowed Claims in such Class. Each of the estimated Cash or other assets and the estimated aggregate amount of

Allowed Claims has been made in ranges with both low and high estimates. In determining such amount, the Debtor has assumed that the Plan is consummated as described herein.

Accordingly, for these and other reasons, while the Debtor believes the information reflected below is based on a reasonable estimate of percentage recoveries, no representation can be or is being made with respect to whether the estimated percentage recoveries shown in the table below will actually be realized by the Holders of Allowed Claims in any particular Class.

This summary is qualified in its entirety by reference to the provisions of the Plan, a copy of which attached as Appendix A to this Disclosure Statement.

Summary of Anticipated Distributions under the Plan

Class	Description	Debtor	Estimated Allowed Amounts	Estimated Recovery	Status
N/A	Administrative Claims		<u>\$500,000</u>	100%	Unclassified, not entitled to vote on the Plan
N/A	Priority Tax Claims		\$0	100%	Unclassified, not entitled to vote on the Plan
Class 1	General Unsecured Claims		\$5,000,000	10-20%	Impaired, entitled to vote on the Plan
Class 2	Pumpkin Patch NZ Equity Interests		\$0	0%	Unimpaired, deemed to accept Plan

For additional information regarding the classification of Claims set forth in the chart above, all creditors and interest holders should review this Disclosure Statement, the Plan and any accompanying Ballots.

DISCLAIMER

THIS DISCLOSURE STATEMENT AND ITS RELATED DOCUMENTS ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES ACCEPTING OR REJECTING THE PLAN. NO REPRESENTATIONS HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING THE DEBTOR, ITS BUSINESS OPERATIONS OR THE VALUE OF ITS ASSETS, EXCEPT AS SPECIFICALLY SET FORTH IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION AS REQUIRED BY SECTION 1125 OF THE BANKRUPTCY CODE TO PERMIT AFFECTED CREDITORS TO MAKE AN INFORMED JUDGMENT IN EXERCISING THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN. THE BANKRUPTCY COURT, HOWEVER, HAS NOT CONDUCTED AN INDEPENDENT REVIEW OR INVESTIGATION OF THE FACTUAL AND FINANCIAL MATTERS DESCRIBED IN THIS DISCLOSURE

STATEMENT NOR HAS IT APPROVED OR RULED UPON THE MERITS OF THE PLAN.

ALL CREDITORS AND INTEREST HOLDERS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY (INCLUDING ALL EXHIBITS) BEFORE TABULATION TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE PRECEDING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, OTHER EXHIBITS ANNEXED TO THE PLAN, AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(c) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH ANY FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT WAS PREPARED TO PROVIDE HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTOR WITH “ADEQUATE INFORMATION” (AS DEFINED IN THE BANKRUPTCY CODE) SO THAT THEY CAN MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. THIS DISCLOSURE STATEMENT HAS NEITHER BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “SEC”), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF ANY OF THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES AND REJECTIONS OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. THIS DISCLOSURE STATEMENT SUMMARIZES CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EXPECTED EVENTS IN THE DEBTOR’S CHAPTER 11 CASE, AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. THE DESCRIPTIONS SET FORTH HEREIN OF THE ACTIONS, CONCLUSIONS, OR RECOMMENDATIONS OF THE DEBTOR OR ANY OTHER PARTY IN INTEREST HAVE BEEN SUBMITTED TO OR APPROVED BY SUCH PARTY, BUT NO SUCH PARTY MAKES ANY WARRANTY OR REPRESENTATION REGARDING SUCH DESCRIPTIONS, AND NEITHER WARRANTS NOR REPRESENTS THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT INACCURACY OR OMISSION.

NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES AND REJECTIONS OF THE PLAN.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE INFORMATION REGARDING THE HISTORY, BUSINESS AND OPERATIONS OF THE DEBTOR AND THE HISTORICAL FINANCIAL INFORMATION REGARDING THE DEBTOR IS INCLUDED FOR PURPOSES OF SOLICITING ACCEPTANCES AND REJECTIONS OF THE PLAN BUT, AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE LIQUIDATION AS TO HOLDERS OF ALLOWED CLAIMS OR ALLOWED INTERESTS, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES, OR OTHER LEGAL CONSEQUENCES OF THE PLAN.

THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN, ALL INFORMATION CONTAINED HEREIN HAS BEEN PROVIDED BY THE DEBTOR.

TABLE OF CONTENTS

	<u>Page</u>
I. EXECUTIVE SUMMARY	i
A. Summary of Treatment of Claims and Interests under the Plan	i
II. INTRODUCTION	1
A. Definitions.....	2
B. Notice To Holders Of Claims	2
C. Solicitation Package.....	2
D. Holders Of Claims and Interests Entitled To Vote	3
E. Tabulation Procedures, Ballots, And Tabulation Deadline	3
F. Confirmation Hearing And Deadline For Objections To Confirmation	3
III. GENERAL INFORMATION	5
A. The Debtor and Its Business	5
B. The Debtor’s Capital and Debt Structure.....	6
C. Events Leading to Chapter 11.....	6
IV. EVENTS DURING THE CHAPTER 11 CASES	6
A. Commencement of the Chapter 11 Case.....	6
B. Continuation of Business; Stay of Litigation.....	7
C. First Day Orders.....	7
D. Appointment of Committee	98
E. Postpetition Financing and Repayment of Lenders	98
F. Summary of Claims Process, Bar Date and Claims Filed	98
1. Schedules and Statements of Financial Affairs	98
2. Claims Bar Date.....	98
3. Proofs of Claim and Other Claims.....	98
4. Claims Reconciliation.....	108
V. SUMMARY OF THE PLAN	108
A. Overall Structure of the Plan.....	108
B. Classification And Treatment Of Claims And Interests	118
1. Unclassified Claims	128
2. Impaired Classes Of Claims.....	138
C. Provisions Governing Implementation Of The Plan.....	138
1. Continued Corporate Existence	138
2. Preservation of Rights of Action; Settlement of Causes of Action	148
D. Provisions Governing Distributions.....	148
1. Distributions for Claims Allowed as of the Effective Date	148
2. Interest On Claims	148
3. Delivery Of Distributions	158
4. Withholding And Reporting Requirements	158
5. Setoffs	158
6. Rejection	168

7.	Cure Costs and Bar Dates	<u>168</u>
8.	Reservation of Rights.....	<u>168</u>
E.	Procedures for Resolving Disputed, Contingent and Unliquidated Claims.....	<u>178</u>
1.	Objection Deadline; Prosecution of Objections.....	<u>178</u>
2.	Estimation of Claims.....	<u>178</u>
3.	No Distributions Pending Allowance	<u>178</u>
4.	Adjustment to Claims and Interests Without Objection	<u>178</u>
5.	Amendments To Claims	<u>178</u>
6.	General Unsecured Claims	<u>188</u>
7.	Compliance with Tax Requirements/Allocations	<u>188</u>
8.	Release of Liens.....	<u>188</u>
F.	Summary of Other Provisions of the Plan	<u>188</u>
1.	Modifications and Amendments	<u>188</u>
2.	Retention of Jurisdiction.....	<u>198</u>
3.	Bar Dates for Certain Claims.....	<u>198</u>
4.	Payment Of Statutory Fees	<u>208</u>
5.	Exculpation And Limitation Of Liability	<u>208</u>
6.	Permanent Injunction.....	<u>218</u>
7.	Debtor’s Releases	<u>218</u>
8.	Releases by Holders of Claims and Interests.....	<u>228</u>
9.	Subordinated Claims.....	<u>228</u>
10.	Indemnification Obligations	<u>238</u>
11.	Term of Injunctions or Stay	<u>238</u>
12.	Allocation of Plan Distributions Between Principal and Interest	<u>238</u>
VI.	CONFIRMATION OF THE PLAN.....	<u>238</u>
A.	Tabulation Requirements	<u>238</u>
B.	Best Interests Test.....	<u>248</u>
C.	Liquidation Analysis	<u>248</u>
D.	Feasibility.....	<u>258</u>
E.	Conditions Precedent To Confirmation And Consummation Of The Plan	<u>258</u>
1.	Conditions to Confirmation	<u>258</u>
2.	Conditions To Consummation	<u>258</u>
F.	Substantial Consummation	<u>268</u>
G.	Waiver Of Conditions	<u>268</u>
VII.	CERTAIN FACTORS TO BE CONSIDERED	<u>268</u>
A.	General Considerations	<u>268</u>
B.	Certain Bankruptcy Considerations	<u>278</u>
1.	Failure to Confirm the Plan.....	<u>278</u>
2.	Failure to Consummate the Plan	<u>278</u>
3.	Nonconsensual Confirmation.....	<u>278</u>
4.	Delays of Confirmation and/or Effective Date	<u>278</u>
C.	Claims Estimations	<u>288</u>
D.	Causes of Action	<u>288</u>
E.	Other Assets	<u>288</u>

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN	<u>288</u>
A. General	<u>288</u>
B. United States Federal Income Tax Consequences of Payment of Allowed Claims Pursuant to Plan	<u>298</u>
1. Recognition of Gain or Loss	<u>298</u>
2. Pending Payments	<u>308</u>
3. Payments Other than Pending Payments	<u>308</u>
C. Certain Other Tax Consequences for Holders of Claims.....	<u>318</u>
1. Receipt of Pre-Effective Date Interest	<u>318</u>
2. Installment Method	<u>318</u>
3. Information Reporting and Withholding	<u>318</u>
D. Importance of Obtaining Professional Tax Assistance	<u>318</u>
IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN	<u>328</u>
A. Other Potential Plan(s).....	<u>328</u>
B. Liquidation Under Chapter 7	<u>328</u>
X. VOTING REQUIREMENTS	<u>328</u>
A. Fiduciaries And Other Representatives	<u>338</u>
B. Parties In Interest Entitled To Vote	<u>338</u>
C. Classes Impaired Under The Plan.....	<u>348</u>
D. Internet Access to Bankruptcy Court Documents.....	<u>348</u>
XI. CONCLUSION AND RECOMMENDATION	<u>358</u>
A. Conclusion	<u>358</u>
B. Recommendation	<u>368</u>

APPENDICES

Appendix A	Plan of Reorganization
Appendix B	Order Approving the Disclosure Statement
Appendix C	Liquidation Analysis
Appendix D	Financial Projections

II. INTRODUCTION

On June 29, 2009 (the "Petition Date"), the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtor has rejected 17 real property leases (including 16 leases for retail locations and office lease) and negotiated amendments to 20 of its remaining store leases, which amendments the Debtor believe would make its retail operation at such locations viable. The Debtor now seeks to reorganize its business pursuant to the Plan. The Debtor hereby transmits this Disclosure Statement to holders of Claims against and Interests in the Debtor, pursuant to section 1125 of the Bankruptcy Code, for use in connection with (i) the solicitation of acceptances and rejections of the Plan filed with the Bankruptcy Court on _____, 2010, and (ii) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") scheduled for May 27, 2010 at 10:00 a.m. (Eastern Time). A copy of the Plan is annexed to this Disclosure Statement as Appendix A.

Concurrently with the filing of this Disclosure Statement, the Debtor filed the Plan, which sets forth how Claims against and Interests in the Debtor will be treated. This Disclosure Statement describes certain aspects of the Plan, the Debtor's operations, significant events occurring in the Debtor's Chapter 11 Case and other related matters. FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN AND THE EXHIBITS AND SCHEDULES THERETO IN THEIR ENTIRETY.

FOR A DESCRIPTION OF THE PLAN AND VARIOUS RISK AND OTHER FACTORS PERTAINING TO THE PLAN AS IT RELATES TO CLAIMS AGAINST AND INTERESTS IN THE DEBTOR, PLEASE SEE ARTICLES X AND XII OF THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN DOCUMENTS RELATED TO THE PLAN, CERTAIN EVENTS IN THE CHAPTER 11 CASE, CERTAIN FINANCIAL INFORMATION AND CERTAIN CLAIMS AGAINST THE DEBTOR. ALTHOUGH THE DEBTOR BELIEVES THAT SUCH SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR'S MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTOR DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, BUT THE PLAN ITSELF QUALIFIES ALL SUMMARIES. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING.

A. Definitions

Unless otherwise defined, capitalized terms used in this Disclosure Statement shall have the meanings ascribed to them in the Plan. All references in this Disclosure Statement to monetary figures refer to United States Currency.

B. Notice To Holders Of Claims

This Disclosure Statement is being transmitted to certain holders of Claims against the Debtor that are entitled under the Bankruptcy Code to vote on the Plan as well as to other parties in interest pursuant to prior orders entered by the Bankruptcy Court. The purpose of this Disclosure Statement is to provide adequate information to enable you, as the holder of a Claim against the Debtor, to make a reasonably informed decision with respect to the Plan prior to exercising your right to vote to accept or reject the Plan.

On _____, 2010, the Bankruptcy Court entered an order approving this Disclosure Statement (the "Disclosure Statement Order," a copy of which is attached as Appendix B to this Disclosure Statement) as containing information of a kind and in sufficient and adequate detail to enable the holders of Claims against the Debtor to make an informed judgment with respect to acceptance or rejection of the Plan. **THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.**

WHEN AND IF CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTOR WHETHER OR NOT THEY ARE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR 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, and developments concerning the Chapter 11 Cases.

THIS DISCLOSURE STATEMENT AND THE ATTACHMENTS HERETO ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT 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 the Debtor other than the information contained herein.

C. Solicitation Package

Accompanying this Disclosure Statement are copies of (i) the Plan, (ii) the notice of, among other things, (a) the time for submitting the ballot forms to accept or reject the Plan distributed with this Disclosure Statement to holders of Impaired Claims entitled to vote under Article II of the Plan in connection with the solicitation of acceptances of the Plan (the

“Ballots”), (b) the date, time and place of the hearing to consider the confirmation of the Plan and related matters, and (c) the time for filing objections to the confirmation of the Plan (the “Confirmation Hearing Notice”), (iii) the Disclosure Statement Order, which, among other things, approves the Disclosure Statement and establishes certain procedures with respect to the solicitation and tabulation of votes to accept or to reject the Plan; and, (iv) if you are the holder of a Claim(s) entitled to vote on the Plan, one or more Ballots (and return envelopes) that you may use in Tabulation to accept or to reject the Plan. If you did not receive a Ballot in your package and believe that you should have, please contact The Garden City Group, Inc. (“GCG” or the “Voting Agent”) at the address or telephone number set forth in Article X.

D. Holders Of Claims and Interests Entitled To Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are in a class that will receive a distribution under the plan are entitled to vote to accept or reject a proposed chapter 11 plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or interests which receive no distribution on account of their claims or interests are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan.

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Acceptance of a plan by a class of interests requires acceptance by at least two-thirds of the number of shares in such class that cast ballots for acceptance or rejection of the plan.

E. Tabulation Procedures, Ballots, And Tabulation Deadline

After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by Tabulation in favor of or against the Plan on the enclosed Ballot. Please complete and sign your original Ballot (copies will not be accepted) and return it in the envelope provided.

ALL HOLDERS OF CLAIMS SHOULD REFER TO ARTICLE XII OF THIS DISCLOSURE STATEMENT “TABULATION REQUIREMENTS” FOR DETAILED INFORMATION REGARDING TABULATION PROCEDURES.

F. Confirmation Hearing And Deadline For Objections To Confirmation

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a hearing on confirmation of the Plan (the “Confirmation Hearing”) to commence on May 27, 2010 at 10:00 a.m.. Eastern Time, or as soon thereafter as counsel may be heard, before Honorable Brendan Linehan Shannon, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 6th Floor, Wilmington, Delaware 19801. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be filed with the clerk of the Bankruptcy Court and served so that they are *RECEIVED* on or before May 20, 2010 at 4:00 p.m. Eastern Time by:

Counsel for the Debtor:

Dennis J. Drebsky
Lee Harrington
NIXON PEABODY LLP
Lee Harrington (DE No. 4046)
437 Madison Avenue
New York, New York 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111

and

Thomas M. Horan
WOMBLE CARLYLE SANDRIDGE
& RICE, PLLC
222 Delaware Avenue, Suite 1501
Wilmington, DE 19801
Telephone: (302) 252-4339
Facsimile: (302) 661-7707

United States Trustee:

David L. Buchbinder, Esq.
Office of the United States Trustee
J. Caleb Boggs Federal Building
844 King Street, Suite 2207
Lockbox 35
Wilmington, Delaware 19801
Telephone: (302) 573-6491

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

IN THE DEBTOR'S VIEW, THE TREATMENT OF HOLDERS OF CLAIMS IN THE IMPAIRED CLASSES ELIGIBLE TO VOTE CONTEMPLATES A GREATER POTENTIAL RECOVERY FOR SUCH HOLDERS THAN WOULD BE AVAILABLE IN A CHAPTER 7 LIQUIDATION. ACCORDINGLY, DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF HOLDERS OF CLAIMS IN SUCH CLASSES, AND RECOMMENDS THAT ALL HOLDERS OF CLAIMS IN THE IMPAIRED CLASSES ENTITLED TO DO SO, VOTE TO ACCEPT THE PLAN.

III. GENERAL INFORMATION

A. The Debtor and Its Business

The Debtor is a wholly-owned subsidiary of Patch Kids Ltd. (“Patch Kids”) which is a wholly-owned subsidiary of Pumpkin Patch Limited (“Pumpkin Patch NZ”). Both Patch Kids and Pumpkin Patch NZ are corporations formed under the laws of New Zealand.

Pumpkin Patch NZ is Australia’s leading fashion kidswear company and is increasingly recognized as an international brand representing innovative design, high quality and value for money. Established in New Zealand in 1990 it now has over 220 stores in four (4) countries along with wholesale operations in twenty (20) countries.

The Debtor was incorporated in 2004. The Debtor successfully opened retail stores in Glendale, Tyler and Valley Fair California between 2004 and 2006, after which it opened an additional 32 stores by the end of 2008. In addition to key West Coast markets, clusters of stores were opened in Arizona, Colorado, Texas, and Washington, D.C. markets. In 2006, the Debtor opened a U.S. operations office in San Francisco, California.

In May 2007, the Pumpkin Patch introduced online shopping in the U.S. to enable customers to shop at Pumpkin Patch for those customers not near a retail store. Pumpkin Patch’s collections are designed by a dedicated in-house design team. They are committed to creating garments that are modern, stylish, fun and have a distinctive Pumpkin Patch signature, combined with a strong customer focus. Every season new and exciting collections are produced which are introduced throughout the season – keeping kids wardrobes fresh and fun all year around.

As of the Petition Date, the Pumpkin Patch operates thirty-five (35) stores in eight (8) U.S. states and Washington, D.C. On average the stores have been opened for approximately twenty-four (24) months. The Debtor focused on establishing locations in “A” grade malls anchored by Nordstrom or similar caliber department stores. Pumpkin Patch’s stores are staffed with highly-trained sales professionals. As of the Petition Date, Pumpkin Patch employs approximately 440 employees.

The U.S. retail environment became increasingly tough and presented a difficult market for new entities, such as the Pumpkin Patch, to establish its brand presence in the U.S. For the fiscal year ending July 31, 2008, Pumpkin Patch’s retail sales were \$20.9 million, which were up 63.2% from the previous year. The sales from January 2008 through February 2009 totaled over \$22.4 million. However, the Pumpkin Patch incurred EBITDA losses of approximately \$7.0 million. The losses were significantly impacted by the poor retail environment and increased quota cost in 2008.

The tough retail environment continued through 2009 and could continue longer. This environment is delaying the store sales growth that would be normally expected from a maturing network of stores, and therefore the Debtor projects losses for the foreseeable future.

For as long as the current weak market conditions exist, the Debtor intends to focus on bedding down existing stores, increasing brand awareness, building a customer database, and

ensuring the supply chain is operating efficiently to reduce costs and improve the management of inventory.

The Debtor undertook a more cautious expansion in 2009, with only one (1) new opening in 2009.

B. The Debtor's Capital and Debt Structure.

As noted above, the Company is privately owned by Patch Kids. As of the Petition Date, Patch Kids owns 100% of the equity in the Debtor. The Debtor has no outstanding prepetition debt. Patch Kids and Pumpkin Patch NZ have provided 100% of the Debtor's cash needs to fund the Debtor's operations and expansions in the U.S.

C. Events Leading to Chapter 11

As stated above, for the fiscal year ending July 31, 2008, the Debtor incurred total EBIT losses of approximately \$6.7 million. The Debtor's losses are attributable to a number of factors. First, there is an exorbitant cost with launching a relatively new brand in the U.S. The Debtor competes with more established companies, such as Baby Gap, Old Navy, Gymboree and The Children's Place, which have greater brand recognition in the U.S.

Second, as new tenants, the Debtor has invested more than \$20,000,000 in opening its newest stores in the past two (2) years. These costs include infrastructure improvements, new build-outs, merchandising fixtures and improvements to store physical environments. In addition, the Debtor has burdensome leases, which cost the Debtor approximately \$10,000,000.00 annually to occupy their stores.

Finally, the Debtor's financial difficulties have been exacerbated by the recent national economic downturn, which has seriously limited consumers' ability to purchase goods, lenders' ability to extend credit, and retail businesses' ability to make a profit.

In response to these competitive pressures and financial constraints, since the summer of 2008, the Debtor has slowed its growth and sought to shore up its customer base for the difficult road ahead.

IV. EVENTS DURING THE CHAPTER 11 CASES

A. Commencement of the Chapter 11 Case

On the Petition Date, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code for the purpose of reorganizing, principally by closing under-performing stores and consolidating operations at stronger-performing stores. The Debtor continues to operate its business and manage its properties as debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

As of the Petition Date, the Debtor was struggling to make timely payments to its landlords. The Debtor signed many of its leases during the real estate boom and now many of

their leases are above-market leases. Without the necessary flexibility to continue to operate outside of bankruptcy, the Debtor determined that it was appropriate and in the interest of its creditors and other interested parties to seek the protections of chapter 11.

The Debtor goal through Chapter 11 is to be able to continue to do business as a going concern. To this end, the Debtor has acted quickly and efficiently in determining which of their various chapter 11 options to pursue, and by doing so, to preserved the value of their assets and maximized the available recovery to creditors. While navigating the chapter 11 process, the Debtor maintained employee, vendor, customer, and other relationships to ensure that they maximized the value of the estates.

In this Chapter 11 case, the Debtor sought and was granted authority to reject seventeen (17) leases that they determined are underperforming, unprofitable, or otherwise provide no benefit to its estate, and immediately ceased operations in those locations. Additionally, the Debtor has successfully renegotiated its remaining twenty (20) leases in order to improve the viability of its business operations at such remaining store locations. The Debtor has moved for Court approval of the negotiated lease amendments with respect to nineteen (19) stores and expects to obtain approval of the amendment with respect to the one other store shortly after the date hereof. The Debtor believes that these changes will allow the U.S. business to continue, rent to be paid, and employment to continue, with continuing but sustainable losses, until the retail sale and margin environment returns to normal conditions.

Further, in order to preserve and maximize value for the estate during the postpetition period and in contemplation reorganization, the Debtor sought and received authority to enter into a Debtor In Possession Credit Facility (“DIP Credit Facility”) with Pumpkin Patch Originals Limited (the “Lender”) that allowed the Debtor to borrow up to \$8,000,000.00 in the aggregate from the Lender to allow the Debtor to address its cash flow needs and, thereby, to operate its business and maintain its value as a going concern while minimizing the risk that it would be forced to close any more stores than absolutely necessary to effectively emerge from bankruptcy. To the extent that there is any unpaid balance for funds drawn under the DIP Credit Facility at the time of Plan Confirmation as part of the new value being provided by the corporate parent any and all such sums shall be deemed satisfied by the Lender and shall not constitute and Administrative Claim under the Plan. Currently approximately \$554,257.53 remains outstanding under the DIP facility.

B. Continuation of Business; Stay of Litigation

From and after the Petition Date, the Debtor remained as debtor-in-possession subject to the supervision of the Bankruptcy Court and in accordance with the Bankruptcy Code. As debtor-in-possession, the Debtor was authorized to operate its business in the ordinary course, with transactions out of the ordinary course of business requiring Bankruptcy Court approval.

C. First Day Orders

To further its objectives of stabilizing business operations to maintain its going concern value and to pursue reorganization, the Debtor filed the following first day applications and motions all of which were subsequently approved by the Bankruptcy Court:

- Cash Management: Debtor's Motion for Interim Order Under 11 U.S.C. §§ 105(a), 345, 363, 364 and 503(b)(1) Authorizing (A) Continued Maintenance of Existing Bank Accounts, (B) Continued Use of Existing Business forms, (C) Continued Use of Existing Cash Management System, (D) Waiver of Certain Guidelines Relating to Bank Accounts, (E) Authorizing Intercompany Transactions, and (F) Scheduling a Final Hearing
- Schedules and Statements of Financial Affairs: Debtor's Motion for an Order Granting Additional Time for Filing Schedules and Statements Pursuant to Rule 1007 of the Federal Rules of Bankruptcy Procedure;
- Debtor's Counsel: Application for Order Pursuant to 11 U.S.C. §§ 327(A) and 329 and Bankruptcy Rules 2014 and 2016 Authorizing the Employment and Retention of Nixon Peabody LLP as Counsel for the Debtors;
- Noticing Agent: Debtor's Application for (a) Authorization to Employ and Retain the Garden City Group, Inc. as Claims, Noticing, Solicitation, Balloting, and Tabulation Agent for the Debtor, and (b) Appointment of the Garden City Group, Inc. as Agent of the Bankruptcy Court;
- Debtor's Delaware Counsel: Application to Retain Womble Carlyle Sandridge & Rice PLLC as Co-Counsel to the Debtor Filed By Pumpkin Patch LLC;
- Interim Compensation: Debtor's Motion for Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals;
- Insurance Policies: Debtor's Motion for Order Under Bankruptcy Code Sections 105, 361, 362, 363, 1107(a), and 1108 Authorizing Debtor to Maintain Existing Insurance Policies and Pay All Policy Premiums and Brokers' Fees Arising Thereunder or in Connection Therewith,
- Taxes: Motion of the Debtor for Order Pursuant to Bankruptcy Code Sections 105(a), 506(a), 507(a)(8), 541, and 1129 and Fed. R. Bankr. P. 6003 Authorizing the Debtor to Pay Prepetition Sales, Use, Trust Fund and Other Taxes and Related Obligations
- Wages: Debtor's Motion for Order Under Bankruptcy Code Sections 105, 363(b), 507(a), 541, 1107(a) and 1108, Authorizing, but not directing, Debtor, Inter Alia, to Pay Prepetition Wages, Compensation, and Employee Benefits.

- Freight Carriers: Debtor's Motion Pursuant to 11 U.S.C. §§ 105, 363, and 506(b) for an Order Authorizing the Payment of Certain Prepetition Claims of Freight Carriers.
- Customer Practices: Debtor's Motion for Order Under Bankruptcy Code Sections 105(a), 506, 507(a)(7), 553, 1107(a), and 1108 Authorizing Continuation of Certain Customer Practices.
- DIP Credit Facility: Debtor's Motion for Interim Order Authorizing Debtor to Enter into Debtor-In-Possession Loan and Security Agreement;
- Utilities: Debtor's Motion for Order Determining Adequate Assurance of Payment for Future Utility Services

D. Appointment of Committee

The United States Trustee for the District of Delaware has not appointed a Committee in this case.

E. Postpetition Financing and Repayment of Lenders

On June 30, 2009 and July 24, 2009, the Debtor obtained authority from the Bankruptcy Court to enter into a postpetition loan (the "DIP Facility") from the Lender in an aggregate amount of \$8,000,000. The order approving the DIP Facility was entered on an interim basis on June 30, 2009, and a final order was entered on July 24, 2009.

The DIP Facility permitted the Debtor to continue its operations while the plan process proceeded. The DIP Facility will be repaid in full.

F. Summary of Claims Process, Bar Date and Claims Filed

1. Schedules and Statements of Financial Affairs

On July 30, 2009, the Debtors filed its Schedule of Assets and Liabilities and Statement of Financial Affairs (the "Schedules and Statements") with the Bankruptcy Court. Among other things, the Schedules and Statements set forth the Claims of known creditors against the Debtor as of the Petition Date based upon the Debtor's books and records.

2. Claims Bar Date

On August 14, 2009, the Bankruptcy Court entered an Order (the "Bar Date Order") establishing the general deadline for filing proofs of claim against the Debtors (the "Bar Date"). The deadline established by the Bankruptcy Court was October 15, 2009 at 5 p.m., for Claims except for (a) Claims based on the rejection of executory contracts and unexpired leases as to which the bar date is the later of (i) the Bar Date, (ii) thirty (30) days after rejection or (iii) such other date as set by the Bankruptcy Court, (b) claims impacted by an amendment to the Debtor's Schedules as to which the bar date is the later of the Bar Date, or thirty (30) days after notice of amended Schedules, (c) claims asserted by governmental units, for which the deadline was

December 28, 2009. The Debtor's claims and notice agent provided notice of the Bar Date by mailing (i) a notice of the Bar Date and (ii) a proof of claim form to each person listed in the Schedules.

3. *Proofs of Claim and Other Claims*

As of February 11, 2010, approximately 89 proofs of claim had been filed against the Debtors and 43 claims were included in the Debtor's schedules, which account for, in the stated aggregate, approximately \$9,130,000 according to the Claims Register maintained in this case and approximately \$1,170,000 according to the Debtor's schedules filed in this case. The Debtor continues to analyze claims and expects that the actual aggregate allowed amount of claims will be less than approximated here.

4. *Claims Reconciliation*

As of the date hereof, the Debtors have not filed any omnibus claim objections. Claim reconciliation will be conducted within the time frame and methods set forth in Article VII of the Plan.

V. SUMMARY OF THE PLAN

THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE AND MEANS FOR IMPLEMENTATION OF THE DEBTOR'S PLAN, AND OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS UNDER THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (AS WELL AS THE EXHIBITS THERETO AND DEFINITIONS THEREIN), WHICH IS ANNEXED TO THIS DISCLOSURE STATEMENT AS EXHIBIT A.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE 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 THE 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 THE DEBTOR UNDER THE PLAN AND WILL, UPON OCCURRENCE OF THE CONSUMMATION DATE, BE BINDING UPON ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS, ITS ESTATE, ALL PARTIES RECEIVING OR RETAINING PROPERTY OR AN INTEREST IN PROPERTY UNDER THE PLAN, 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 AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Overall Structure of the Plan

All Claims and Interests, except for Administrative Claims and other Priority Claims, are placed in the Classes and entitled to treatments as set forth below and in Article III of the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, all Claims entitled to priority over General Unsecured Claims, including Administrative Claims and other Priority Claims, have not been classified.

A Claim or Interest is placed in a particular Class only to the extent that a Claim or Interest falls within the description of that Class, and is classified in other Classes to the extent that any portion of the Claim or Interest falls within the description of such other Classes. A Claim is also placed in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and such Claim has not been paid, released, or otherwise settled prior to the Effective Date.

The Debtor's equity holder is retaining the equity of the Debtor in exchange for contributing value of approximately \$2,000,000 under the Plan consisting of: (i) the funds required to satisfy all Allowed Administrative Claims in full; (ii) expunging all amounts owed under the DIP loan; and (iii) \$575,000 to be distributed pursuant to the Plan pro rata to holders of Allowed Unsecured Claims. Accordingly, the Plan may be characterized as a so called "new value " Plan.

Generally speaking, a bankruptcy court may confirm a plan of reorganization over the objection of a class of creditors only if "the holder of any claim or interest that is junior to the claims of such [objecting] class will not receive or retain under the plan on account of such junior claim or interest any property." 11 U.S.C. § 1129(b)(2)(B)(ii). *Unruh v. Rushville State Bank of Rushville, Missouri*, 987 F.2d 1506, 1508 (10th Cir. 1993). This "is the core of what is known as the 'absolute priority rule.'" *Bank of America National Trust and Savings Association v. 203 North LaSalle Street Partnership*, 526 U.S. 434, 442, 119 S.Ct. 1411, 1416, 143 L.Ed.2d 607 (1999). In its most general sense, "the absolute priority rule 'provides that a dissenting class of unsecured creditors must be provided for in full before any junior class can receive or retain any property [under a reorganization] plan.'" *Norwest Bank Worthington v. Ahlers*, 485 U.S. 197, 202, 108 S.Ct. 963, 966, 99 L.Ed.2d 169 (1988).

However, courts have held that, notwithstanding the absolute priority rule, equity holders could participate in a reorganization plan if those holders contributed "new value." A contribution sufficient to overcome the absolute priority rule must be: (1) in the form of money or money's worth; (2) reasonably equivalent to the interest retained or received by the equity holders; and (3) necessary for the debtor's reorganization. *North LaSalle*, 526 U.S. at 442, 119 S.Ct. at 1416. Some courts later added the requirements that the contribution be (4) up front and (5) substantial. *See In re Snyder*, 967 F.2d 1126, 1131 (7th Cir. 1992); *In re Haskell Dawes, Inc.*, 199 B.R. 867, 872 (Bankr. E.D. Pa. 1996).

In the event that an impaired class votes against the Plan, the Debtor would be required to demonstrate to the satisfaction of the Court at the confirmation hearing that the proposed Plan allowing for existing equity holders to retain their equity interest satisfies the elements of the test described above. If the elements were satisfied, the Debtor could seek authority from the Court

to get approval of the Plan by means of so-called “cram down,” a process that requires a debtor to prove that the plan is fair and equitable to the non-consenting class and that the plan doesn't unfairly discriminate against them. Note however that a debtor may not proceed to attempt a cram down unless there is at least one consenting impaired class. Because the Debtor’s proposed Plan has only one impaired class, the General Unsecured Creditors, if that class rejects the Plan, the Plan cannot be confirmed by cram down.

Should the one impaired class under the Plan, the General Unsecured Creditors, vote to reject the Plan, and therefore leave the Debtor unable to do effect a cram down, the ultimate result would be that the Plan could not be confirmed. If the Debtor cannot confirm the proposed Plan, the most-likely alternatives would be filing of a different plan by the Debtor or conversion of the case to a Chapter 7 liquidation. Either consequence would delay distributions on Allowed Claims and there would be no assurance, particularly on conversion and liquidation (as discussed below at Section VI. D), that any distributions would equal or exceed the projected dividends under the proposed Plan.

B. Classification And Treatment Of Claims And Interests

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify the claims and interests of a debtor’s creditors and equity interest holders. In accordance with section 1123, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class (other than Administrative Claims and Priority Tax Claims which, pursuant to section 1123(a)(1), need not be and have not been classified). The Debtor also is required, under section 1122 Bankruptcy Code, to classify Claims against and Interests in the Debtor into Classes that contain Claims and Interests that are substantially similar to the other Claims and Interests in such Class.

The Debtor believes that the Plan has classified all Claims and Interests in compliance with the provisions of section 1122 of the Bankruptcy Code. If a Creditor or Interest Holder challenges such classification of Claims or Interests and the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtor, to the extent permitted by the Bankruptcy Code, the Plan and the Bankruptcy Court, intends to make such reasonable modifications of the classifications of Claims or Interests under the Plan to provide for whatever classification might be required by the Bankruptcy Court for confirmation. Except to the extent that such modification of classification adversely affects the treatment of a holder of a Claim or Interest and requires resolicitation, acceptance of the Plan by any holder of a Claim pursuant to this solicitation will be deemed to be a consent to the Plan’s treatment of such holder of a Claim regardless of the Class as to which such holder ultimately is deemed to be a member.

The amount of any Impaired Claim that ultimately is allowed by the Bankruptcy Court may vary from the estimated allowed amount of such Claim and, accordingly, the total Claims ultimately allowed by the Bankruptcy Court with respect to each Impaired Class of Claims may also vary from the estimates contained herein with respect to the aggregate Claims in any Impaired Class. Thus, the value of the property that ultimately will be received by a particular holder of an Allowed Claim under the Plan may be adversely or favorably affected by the aggregate amount of Claims ultimately allowed in the applicable Class. There can be no assurance that the actual aggregate amounts of allowed Claims in Impaired Classes will not

materially exceed the aggregate amounts estimated by the Debtor. Thus, no representation can be or is being made with respect to the accuracy of the expected percentage recovery by the holder of an Allowed Claim in any particular Class.

The classification of Claims and Interests and the nature of distributions to members of each Class are summarized below. The Debtor believes that the consideration provided under the Plan to holders of Claims and Interests reflects an appropriate resolution of their Claims and Interests, taking into account the differing nature and priority of such Claims and Interests. The Bankruptcy Court must find, however, that a number of statutory tests are met before it may confirm the Plan. ~~Many of these tests are designed to protect the interests of holders of Claims or Interests who are not entitled to vote on the Plan, or do not vote to accept the Plan, but who will be bound by the provisions of the Plan if it is confirmed by the Bankruptcy Court. The “cramdown”~~As discussed above, however, the “cram down” provisions of section 1129(b) of the Bankruptcy Code, ~~for example, permit confirmation of a chapter 11 plan in certain circumstances even if the plan has not been accepted by all impaired classes of claims and interests. The Debtors believe that their respective Plans will be confirmed pursuant to the cramdown provisions of~~ are not applicable under the proposed Plan because there is only one impaired class, the General Unsecured Creditors, entitled to vote on the Plan and rejection by that class would present a bar to cram down under section 1129(b).

1. *Unclassified Claims*

(a) Administrative Claims

Except as otherwise provided for in the Plan, and subject to the requirements of Article XI.A.1 of the Plan, on, or as soon as reasonably practicable after, the latest of (i) the Distribution Date, (ii) the date such Administrative Claim becomes an Allowed Administrative Claim, or (iii) the date such Administrative Claim becomes payable pursuant to any agreement between the Debtor and the Holder of such Administrative Claim, each holder of an Allowed Administrative Claim shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Administrative Claim (a) Cash equal to the unpaid portion of such Allowed Administrative Claim or (b) such other treatment as to which the Debtor and such Holder shall have agreed upon in writing. Any payments made to Allowed Administrative Claims as described herein and provided for in the Plan will not be made from the Class 1 Distribution Fund (defined below) but will be made from funds otherwise made available by the Debtor’s parent company.

(b) Priority Tax Claims

On, or as soon as reasonably practicable after, the later of (i) the Distribution Date or (ii) the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim (a) Cash equal to the unpaid portion of such Allowed Priority Tax Claim or (b) such other treatment as to which the Debtor and such Holder shall have agreed upon in writing; *provided* that no holder of an Allowed Priority Tax Claim shall be entitled to any payments on account of any pre-Effective Date interest accrued on or penalty arising after the Petition Date with respect to or in connection with such Allowed

Priority Tax Claim. Any payments made to Allowed Priority Tax Claims as described herein and provided for in the Plan will not be made from the Class 1 Distribution Fund (defined below) but will be made from funds otherwise made available by the Debtor's parent company.

2. *Impaired Classes Of Claims*

(a) Class 1: General Unsecured Claims

Each holder of a Class 1 Allowed General Unsecured Claim against the Debtor will receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Claim, its Pro Rata share of the \$575,000.00 (the "Class 1 Distribution Fund") The Class 1 Distribution Fund will be distributed to the holders of Class 1 Allowed General Unsecured Claims pursuant to the terms of the Plan

3. *Unimpaired Classes Of Claims*

(a) Class 2: Pumpkin Patch NZ Equity Interest

All Pumpkin Patch NZ Equity Interests of any kind, including, without limitation, the Old Pumpkin Patch Stock, or any stock options, warrants or other agreements to acquire the same (whether or not arising under or in connection with any agreement), shall be retained as of the Effective Date by the Holder(s) of such Interests subject to the funding conditions described below.

Pumpkin Patch NZ has agreed, as a condition to its treatment under the Plan, to pay all allowed administrative expenses and to provide funds totaling \$575,000 in Class 1 Distribution Fund in order to provide for a recovery to Class 1 claimants. In the absence of such funding it is believed that Class 1 would receive no recovery.

C. Provisions Governing Implementation Of The Plan

1. *Continued Corporate Existence*

The Debtor will continue to exist after the Effective Date as a corporate entity, with all of the powers of a Limited Liability Company under the laws of Delaware. Notwithstanding the foregoing, the Debtor may change its status of incorporation or formation or alter their corporate structure (either through mergers, consolidations, restructurings, conversions, dispositions, liquidations, dissolutions, or otherwise) after the Effective Date as may be determined by the Debtor to be appropriate. In each case in which the surviving, resulting, or acquiring company in any such transaction is a successor to a Debtor, such successor company shall perform the obligations of the Debtor under the Plan, to the extent any such obligations remain at that time.

2. *Preservation of Rights of Action; Settlement of Causes of Action*

(a) Preservation of Rights of Action

Except as provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, the Debtor will retain and may enforce any claims, demands, rights and Causes of Action that any Estate may hold against any person or Entity to the extent not released under Article XI.F of the Plan or otherwise. The Debtor may pursue such retained claims, demands, rights or causes of action, as appropriate, in accordance with the best interests of the Estate. Any recovery of Cash by the Debtor on account of such actions will be distributed pursuant to the terms of the Plan.

(b) Comprehensive Settlement of Claims and Controversies

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distribution and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and controversies resolved pursuant to the Plan, including, without limitation, all Claims arising prior to the Petition Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, arising out of, relating to or in connection with the business or affairs of, or transactions with, the Debtor. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtor, the Estate, Creditors and other parties in interest, and are fair, equitable and within the range of reasonableness.

D. Provisions Governing Distributions

1. *Distributions for Claims Allowed as of the Effective Date*

Except as otherwise provided in the Plan or as ordered by the Bankruptcy Court, distributions to be made on account of Administrative Claims, Priority Tax Claims, Priority Claims and Secured Claims that are Allowed Administrative Claims, Priority Tax Claims, Priority Claims and Secured Claims as of the Effective Date shall be made as of the Effective Date and will be deemed made on the Effective Date if made no later than 60 days after the Effective Date, or as soon thereafter as practicable.

2. *Interest On Claims*

Unless otherwise specifically provided by the Plan or the Confirmation Order, or by applicable bankruptcy law, post-petition interest shall not accrue and not be paid on Allowed Claims when due under the contract, agreement, or other instrument governing the terms and conditions of the obligation comprising such Allowed Claim.

3. *Delivery Of Distributions*

Distributions to Holders of Allowed Claims shall be made by the Debtor (i) at the addresses set forth on the proofs of Claim filed by such Holders (or at the last known addresses of such Holders if no proof of Claim is filed or if the Debtors have been notified in writing of a change of address), (ii) at the addresses set forth in any written notices of address changes delivered to the Disbursing Agent after the date of any related proof of Claim, (iii) at the addresses reflected in the Schedules if no proof of Claim has been filed and the Debtor has not received a written notice of a change of address, or (iv) in the case of the Holder of a Claim that is governed by an indenture or other agreement and is administered by an indenture trustee, agent, or servicer, at the addresses contained in the official records of such indenture trustee, agent, or servicer, or (v) at the addresses set forth in a properly completed letter of transmittal accompanying securities properly remitted to the Debtor. If any Holder's distribution is returned as undeliverable, no further distributions to such Holder shall be made unless and until the Disbursing Agent its agent, or servicer is notified of such Holder's then current address, at which time all missed distributions shall be made to such Holder without interest. Amounts in respect of undeliverable distributions, shall be returned to the Debtor until such distributions are claimed. All claims for undeliverable distributions must be made on or before the second (2nd) anniversary of the Effective Date, after which date all unclaimed property shall revert to the Debtor free of any restrictions thereon and the claim of any Holder or successor to such Holder with respect to such property shall be discharged and forever barred, notwithstanding any federal or state escheat laws to the contrary.

4. *Withholding And Reporting Requirements*

In connection with the Plan and all distributions thereunder, the Debtor shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements. The Debtor shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements including, without limitation, withholding distributions from any beneficiary who fails to provide a completed IRS Form W-9 or other requested tax information.

5. *Setoffs*

Except with respect to Claims of the Debtor released pursuant to the Plan or any contract, instrument, release or other agreement or document entered into or delivered in connection with the Plan or in the Chapter 11 Cases, the Debtor, pursuant to section 553 of the Bankruptcy Code or applicable nonbankruptcy law, may setoff against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim) the claims, rights and causes of action of any nature that the Debtor may hold against the holder of such Allowed Claim; *provided, however*, that neither the failure to effect a setoff nor the allowance of any Claim hereunder will constitute a waiver or release by the Debtor of any claims, rights and causes of action that the Debtor may possess against such a Claim Holder, which are expressly preserved under Article VI.H of the Plan.

6. *Rejection*

On the Effective Date, to the extent permitted by applicable law, all of the Debtor's executory contracts and unexpired leases will be rejected by the Debtor, unless such executory contract or unexpired lease:

(a) is identified as a contract or lease that is being assumed pursuant to the Plan;

(b) is the subject of a motion to assume filed on or before the Confirmation Date, or

(c) is the subject of an agreement, entered into on or before the Confirmation Date, among the Debtor and the counterparty to such executory contract to extend the time to assume or reject such executory contract to a date subsequent to the Confirmation Date.

7. *Cure Costs and Bar Dates*

(a) Cure

Except to the extent different treatment is agreed to among the parties, any monetary amounts by which each executory contract and unexpired lease to be assumed pursuant to the Plan is in default will be satisfied, under section 365(b)(1) of the Bankruptcy Code, at the Debtor's option, by the payment of Cash or distribution of other property as necessary to cure any defaults. If there is a dispute regarding (i) the nature or amount of any cure, (ii) the ability of the Debtor's assignees to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, cure will occur following the entry of a Final Order resolving the dispute and approving the assumption or assumption and assignment, as the case may be.

(b) Bar Date for Filing Claims for Rejection Damages

If the rejection of an executory contract or unexpired lease gives rise to a Claim, a proof of Claim must be served upon the Debtor and Debtor's counsel within 30 days after the later of (a) service of notice of entry of the Confirmation Order; or (b) service of such other notice that the executory contract or unexpired lease has been rejected. Any claim not served within such time period will be forever barred. Each such Claim will constitute a Class 1 Claim to the extent such Claim is Allowed by the Bankruptcy Court.

8. *Reservation of Rights*

Neither the exclusion nor inclusion of any contract or lease in the Plan, the Schedules or anything contained in the Plan, shall constitute an admission by the Debtor that any such contract or lease is in fact an executory contract or unexpired lease.

E. Procedures for Resolving Disputed, Contingent and Unliquidated Claims

1. Objection Deadline; Prosecution of Objections

As soon as practicable, but in no event after the later of (i) one hundred and eighty (180) days after the Effective Date (unless extended by an order of the Bankruptcy Court) and (ii) the date such Claim or Interest is filed upon the Debtors shall file objections to Claims and Interests with the Bankruptcy Court and serve such objections upon the holders of each of the Claims or Interests to which objections are made. Nothing contained in the Plan, however, shall limit the Debtor's right to object to Claims or Interests, if any, filed or amended more than one hundred and eighty (180) days after the Effective Date.

2. Estimation of Claims

The Debtor may at any time request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, regardless of whether the Debtor has previously objected to such Claim or whether the Bankruptcy Court has ruled on any objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any claim, including during the pendency of any appeal related to any such objection. In the event the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtor may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another. Claims may be estimated and thereafter resolved by any permitted mechanism.

3. No Distributions Pending Allowance

Notwithstanding any other provision of the Plan, no payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim.

4. Adjustment to Claims and Interests Without Objection

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

5. Amendments To Claims

On or after the Effective Date, except as provided in the Plan or otherwise agreed, a Claim may not be filed or amended without the prior authorization of the Bankruptcy Court or the Debtor, and any such new or amended Claim filed shall be deemed disallowed in full and expunged without any further action or order of the Bankruptcy Court.

6. *General Unsecured Claims*

Notwithstanding the contents of the Schedules, Claims listed therein as undisputed, liquidated and not contingent shall be reduced by the amount, if any, that was paid by the Debtor prior to the Effective Date including pursuant to orders of the Bankruptcy Court. To the extent such payments are not reflected in the Schedules, such Schedules will be deemed amended and reduced to reflect that such payments were made.

7. *Compliance with Tax Requirements/Allocations*

In connection with the Plan, to the extent applicable, the Debtor shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant thereto shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Debtor shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Debtor reserves the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, liens and encumbrances.

8. *Release of Liens*

No Liens against the property of the Estate will be released and discharged, and all of the right, title and interest of any holder of such Liens, including any rights to any collateral thereunder, shall attach to and be enforceable against the Plan Distribution Fund in accordance with and subject to the terms of the applicable Financing Agreement. All such Liens shall be fully released and discharged upon the holder of such Lien receiving its full distribution under the Plan or upon the Effective Date if the holder of the Lien is not entitled to any distribution under the Plan.

F. Summary of Other Provisions of the Plan

1. *Modifications and Amendments*

The Debtor may amend, alter or modify the Plan or any exhibits thereto under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date. After the Confirmation Date and prior to substantial consummation of the Plan, as defined in section 1101(2) of the Bankruptcy Code, the Debtor may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially adversely affect the treatment of Holders of Claims or Interests under the Plan; *provided, however*, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

2. *Retention of Jurisdiction*

Under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, those matters specifically set forth in Article X of the Plan.

3. *Bar Dates for Certain Claims*

(a) *Administrative Claims: Substantial Contribution Claims*

The Confirmation Order will establish an Administrative Claims Bar Date for filing of all Administrative Claims, which date will be 45 days after the Effective Date. Holders of asserted Administrative Claims, other than Claims for Professional Fees not paid prior to the Effective Date and Claims for U.S. Trustee Fees under 28 U.S.C. § 1930, administrative claims previously paid and administrative ordinary course claims previously paid must submit proofs of Administrative Claim on or before such Administrative Claims Bar Date or forever be barred from doing so. A notice prepared by the Debtor will set forth such date and constitute notice of this Administrative Claims Bar Date. The Debtor shall have 90 days (or such longer period as may be allowed by order of the Bankruptcy Court) following the Administrative Claims Bar Date to review and object to such Administrative Claims before a hearing for determination of allowance of such Administrative Claims.

(b) *Administrative Ordinary Course Liabilities*

Except as the Court may order otherwise in connection with any request by the Debtor for the setting of a supplemental Administrative Claims Bar Date, holders of Administrative Claims that are based on liabilities incurred in the ordinary course of the Debtor's businesses (other than Claims of governmental units for taxes (and for interest and/or penalties related to such taxes)) shall not be required to file any request for payment of such Claims. Such Administrative Claims, unless objected to by the Debtor, shall be paid by the Debtor in Cash, pursuant to the terms and conditions of the particular transaction giving rise to such Administrative Claim. For the avoidance of doubt, Holders of Administrative Claims pursuant to section 503(b)(9) of the Bankruptcy Code **shall be required** to file a proof of Administrative Claim on or before the Administrative Claims Bar Date.

(c) *Administrative Tax Claims*

All requests for payment of Administrative Claims by a governmental unit 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, and for which no bar date has otherwise been previously established, must be filed and served on the Debtor and any other party specifically requesting a copy in writing on or before the later of (a) thirty (30) days following the Effective Date; and (b) one hundred and twenty (120) days following the filing of the tax return for such taxes for such tax year or period with the applicable governmental unit. Any Holder of any such Claim that is required to file a request for payment of such taxes and does not file and properly serve

such a claim by the applicable bar date shall be forever barred from asserting any such claim against the Debtors or its property, regardless of whether any such Claim is deemed to arise prior to, on, or subsequent to the Effective Date. Any interested party desiring to object to an Administrative Claim for taxes must file and serve its objection on counsel to the Debtor and the relevant taxing authority no later than ninety (90) days after the taxing authority files and serves its application.

(d) Professional Fee Claims

All final requests for compensation or reimbursement of Professional Fees pursuant to sections 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code for services rendered to the Debtors prior to the Effective Date (other than Substantial Contribution Claims under section 503(b)(4) of the Bankruptcy Code) must be filed and served on the Debtor's counsel no later than 45 days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to applications of such Professionals or other entities for compensation or reimbursement of expenses must be filed and served on the Debtor and its counsel and the requesting Professional or other entity no later than 45 days (or such longer period as may be allowed by order of the Bankruptcy Court) after the date on which the applicable application for compensation or reimbursement was served.

4. *Payment Of Statutory Fees*

All fees payable pursuant to section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation shall be paid on or before the Effective Date. Nothing in the Plan shall affect the Debtor's individual obligation to pay quarterly fees pursuant to 28 U.S.C. § 1930(a)(6) after the Effective Date until the conversion, dismissal or closing of a particular case.

5. **Exculpation And Limitation Of Liability**

Neither the Debtor nor any of its present or former members, managers, officers, directors, employees, advisors, attorneys, or agents, shall have or incur any liability to any holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Case, negotiation of the Disclosure Statement, negotiation of the Plan, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for their gross negligence or willful misconduct, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

Notwithstanding any other provision of the Plan, no Holder of a Claim or Interest, no other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, and no successors or assigns of the foregoing, shall have any right of action against the Debtor or its Estate, or any of its present or former members, managers, equity holders, partners, officers, directors, employees,

advisors, attorneys, or agents, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Case, the solicitation of acceptances of the Plan, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for their gross negligence or willful misconduct.

The foregoing exculpation and limitation on liability shall not, however, limit, abridge, or otherwise affect the rights, if any, of the Debtor to enforce, sue on, settle, or compromise the Causes of Action based on any act, omission or transfer occurring prior to the Petition Date retained pursuant to Article IV.C of the Plan.

6. Permanent Injunction

Except as otherwise expressly provided in the Plan or the Confirmation Order, all entities who have held, hold or may hold Claims against, or Interests in, the Debtor will be permanently enjoined, on and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Interest, (ii) the enforcement, attachment, collection, or recovery by any manner or means of judgment, award, decree or order against the Debtor on account of any such Claim or Interest, (iii) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Interest, and (iv) asserting any right of setoff ~~or subrogation~~ of any kind against any obligation due from the Debtor or against the property or interests in property of the Debtor on account of any such Claim or Interest. The foregoing injunction will extend to successors of the Debtor and its properties and interests in property.

7. Debtor's Releases

As of the Effective Date, the Debtor, any successors and each of their directors, officers, members, managers, employees, agents, financial advisors, representatives, affiliates, attorneys and professionals (solely in their capacities as such) shall be deemed, to the maximum extent permitted by applicable law, to forever release, waive and discharge all claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action and liabilities whatsoever in connection with or related to the Debtor, the Chapter 11 Case or the Plan (other than the rights of the Debtor and any successors to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements or documents assumed, passed through or delivered in connection with such Plan) and whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date and in any way relating to the Debtor or any successors or their property, the Chapter 11 Case, the Plan and each of its directors, officers, members, managers, employees, agents, financial advisors, representatives, affiliates, attorneys and professionals (solely in their capacities as such) as of the Effective Date; *provided, however*, that such releases shall not operate as a waiver or release of any causes of action arising out of (x) any express contractual obligation owing by any such director, officer, or employee, agent, financial advisor, representative, affiliate,

attorney or professional, or (y) the willful misconduct, gross negligence, intentional fraud or criminal conduct of such director, officer, or employee, agent, financial advisor, representative, affiliate or professional.

8. Releases by Holders of Claims and Interests

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each Holder of a Claim or Interest that votes in favor of the Plan (or is deemed to accept the Plan) shall be deemed to unconditionally, forever, release, waive and discharge all Claims, Interests, suits, judgments, damages, demands, debts, rights, causes of action and liabilities whatsoever in connection with or related to the recapitalization and restructuring efforts undertaken by the Debtor, the Chapter 11 Case, the Plan (other than the rights to enforce the Plan and the contracts, instruments, releases, indentures, and other agreements or documents assumed, passed through or delivered in connection with such Plan) whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors and any successors, the Chapter 11 Cases, the Plan, against (i) the Debtor and any successors, (ii) the Debtor's present and former directors, officers, members, managers, employees, agents, financial advisors, attorneys and professionals; provided, however, that the foregoing shall not waive or release any causes of action arising out of (x) any express contractual obligations owing by any such director, officer, employee, agent, financial advisor, attorney or professional of the Debtors and any successors, or (y) the willful misconduct, gross negligence, intentional fraud or criminal conduct of such director, officer, member, manager, employee, agent, financial advisor, representative or professional of the Debtors. Nothing in the Debtor's bankruptcy proceedings, Confirmation Order, Plan, the Bankruptcy Code (and section 1141 thereof), or any other document filed in the Debtor's bankruptcy case shall in any way be construed to (i) discharge, release, limit, or relieve any party, other than the Debtors, in any capacity, from any liability or responsibility or (ii) prevent the PBGC from seeking recovery from any policy of insurance for any liability with respect to the Pension Plan or any pension plan covered under Title IV of ERISA under any law, governmental policy, or regulatory provision; provided that the discharge, release, limit, or relief from liability as to the Debtors relates solely to PBGC's claims filed in the Debtor's bankruptcy proceedings and does not include claims, if any, involving breach of fiduciary duty with regard to the Pension Plan. PBGC and the Pension Plan shall not be enjoined or precluded from enforcing such liability or responsibility by any of the provisions of the Plan, Confirmation Order, Bankruptcy Code, or any other document filed in any Debtor's bankruptcy case.

9. Subordinated Claims

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or

otherwise. Pursuant to section 510 of the Bankruptcy Code, the Reorganized Debtor reserves the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

10. *Indemnification Obligations*

None of the indemnification provisions currently in place for directors, officers and each of the Debtor's advisors (whether in the Debtor's bylaws, contracts or otherwise) shall survive confirmation of the Plan except to the extent that (i) any related claims are covered by insurance policies in respect of the Debtors and (ii) the indemnification is part of the retention of an advisor approved by the Bankruptcy Court. The Debtor may obtain sufficient tail coverage under its existing directors and officers insurance policy for current officers and directors provided that the terms are reasonably acceptable to the Debtor.

11. *Term of Injunctions or Stay*

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays provided for in the Chapter 11 Case under sections 105 or 362 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order), shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or Confirmation Order shall remain in full force and effect in accordance with their terms.

12. *Allocation of Plan Distributions Between Principal and Interest*

To the extent that any Allowed Claim entitled to a distribution under the Plan is comprised of indebtedness and accrued but unpaid interest thereon, the value of such distribution shall be allocated to the principal amount of the Claim first and then, to the extent consideration exceeds the principal amount of the Claim, to accrued but unpaid interest.

VI. CONFIRMATION OF THE PLAN

The Bankruptcy Court may confirm the Plan only if it determines that the Plan complies with the technical requirements of chapter 11 of the Bankruptcy Code, including, among other things, that (a) the Plan has properly classified Claims and Interests, (b) the Plan complies with applicable provisions of the Bankruptcy Code, (c) the Debtor has complied with applicable provisions of the Bankruptcy Code, (d) the Debtor has proposed the Plan in good faith and not by any means forbidden by law, (e) disclosure of "adequate information" as required by section 1125 of the Bankruptcy Code has been made, (f) the Plan has been accepted by the requisite votes of all Classes of Creditors and Interest holders, (g) the Plan is in the "best interests" of all holders of Claims or Interests in an Impaired Class, (h) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date.

A. Tabulation Requirements

Under the Bankruptcy Code, only Classes of Claims and Interests that are "impaired" (as that term is defined in section 1124 of the Bankruptcy Code) under the Plan are entitled to vote

to accept or reject the Plan. A Class is impaired if the legal, equitable or contractual rights to which the holders of Claims or Interests are entitled are modified, other than by curing defaults and reinstating the debt. Pursuant to sections 1126(f) and (g) of the Bankruptcy Code, Classes of Claims and Interests that are not impaired are conclusively presumed to have accepted the Plan and are not entitled to vote on the Plan, and Classes of Claims and Interests whose holders will receive or retain no property under the Plan are deemed to have rejected the Plan and are not entitled to vote on the Plan. The classification of Claims and Interests is summarized, together with notations as to whether each Class of Claims or Interests is Impaired or Unimpaired, under the caption “Classification and Treatment of Claims and Interests.” Additional information regarding Tabulation is contained in the instructions accompanying the Ballots.

This Disclosure Statement and the appropriate Ballot are being distributed to all holders of Claims and Interests who are entitled to vote on the Plan. There is a separate Ballot designated for each Class of Claims or Interests in order to facilitate vote tabulation; however, all Ballots are substantially similar in form and substance and the term “Ballot” is used without intended reference to the Ballot of any specific Class of Claims.

Each Impaired Class of Claims or Interests that will receive or retain property or any interest in property under the Plan is entitled to vote to accept or reject the Plan. Each Unimpaired Class of Claims is deemed to have accepted the Plan and is not entitled to vote to accept or reject the Plan. An Impaired Class of Claims will have accepted the Plan if (i) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Claims actually Tabulation in such Class have voted to accept the Plan and (ii) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half in number of the Allowed Claims actually Tabulation in such Class have voted to accept the Plan. An Impaired Class of Interests will have accepted the Plan if (i) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds in amount of the Allowed Interests actually Tabulation in such Class have voted to accept the Plan.

B. Best Interests Test

In order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of each holder of a Claim or Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an impaired Class does not unanimously accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such impaired Class a recovery on account of the Class member’s Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code on such date.

C. Going Concern Analysis

A central aspect of the value of the Debtor's business are the trademarks it has licensed from its corporate parent, which are terminable by the parent on 60 days notice. The Debtor's corporate parent has not, and does not, license its trademarks to non affiliated third parties. Because these critical license rights are effectively non-transferable based on the parent’s

termination rights and unwillingness to license to third parties, the Debtor does not believe that it has a going concern value to any third party purchaser. As such any non-affiliated third party would merely be purchasing the stores leases and inventory and would have limited opportunities to resell once the trademarks are terminated. The Debtor further believes that all current leases are near or at market value and have only minimal value to a purchaser. Thus it is believed by the Debtor that the liquidation value, plus addition of value for any leases assumed by any theoretical third party purchaser, is the proper measure of the value of the Debtor. As such, the Debtor believes that any third party sale would yield substantially less to the Estate than the value being provided by the proposed contribution by the equity holder.

ED. Liquidation Analysis

If these cases were to be converted to chapter 7 cases, the Debtor's estates would incur the costs of payment of a statutorily allowed commission to the chapter 7 trustee, as well as the costs of counsel and other professionals retained by the trustee. The Debtor believes such amount would exceed the amount of expenses that would will be incurred in implementing the Plan and reorganizing the Debtor. Conversion also would likely delay the ultimate distribution to unsecured creditors. The Debtor's estate would also be obligated to pay all unpaid expenses incurred by the Debtor during the Chapter 11 Case (such as compensation for professionals) which are allowed in the chapter 7 case. Accordingly, the Debtor believes that holders of Allowed Claims would receive less than anticipated under the Plan if the Chapter 11 Case was converted to a chapter 7 case. Attached hereto as Appendix C is a Liquidation Analysis undertaken at the Debtor's direction in support of Plan confirmation.

DE. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successors to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Plan proposed by the Debtor provides for reorganization and a distribution of Cash to creditors in accordance with the priority scheme of the Bankruptcy Code and the terms of the Plan. The ability of the Debtor to make the distributions described in the Plan does not depend on future earnings of the Debtor. Accordingly, the Debtor believes that the Plan is feasible and meets the requirements of section 1129(a)(11) of the Bankruptcy Code.

Additionally, the Debtors believe, based on financial projections, that confirmation of the Plan is not likely to be followed by the liquidation of the Debtor nor need for further financial reorganization. The Debtor's management has analyzed the Debtor's ability to meet their obligations under the Plan and retain sufficient liquidity and capital resources to conduct its business and prepared financial projections attached hereto as Appendix D.

EF. Conditions Precedent To Confirmation And Consummation Of The Plan

1. Conditions to Confirmation

The Bankruptcy Court shall not enter the Confirmation Order unless and until (i) the Confirmation Order shall be reasonably acceptable in form and substance to the Debtor and (ii) the Confirmation Order includes a finding of fact that the Debtor and its present and former

members, officers, directors, employees, advisors, attorneys, and agents acted in good faith within the meaning of and with respect to all of the actions described in section 1125(e) of the Bankruptcy Code and are therefore not liable for the violation of any applicable law, rule, or regulation governing such actions.

2. *Conditions To Consummation*

The following are conditions precedent to the occurrence of the Effective Date, each of which must be (i) satisfied or (ii) waived in accordance with Article VIII.D of the Plan:

(a) The Confirmation Order, in form and substance reasonably acceptable to the Debtor, confirming the Plan, as the same may have been modified, must have become a Final Order and must, among other things, provide that:

- (1) the Debtor is authorized and directed to take all actions necessary or appropriate to enter into, implement and consummate the contracts, instruments, releases, indentures and other agreements or documents created in connection with the Plan; and
- (2) the provisions of the Confirmation Order are nonseverable and mutually dependent.

(b) All authorizations and consents required, if any, in connection with the Effective Date shall have been obtained.

(c) There shall not be in effect on the Effective Date any (i) order entered by a U.S. court or (ii) any order, opinion, ruling or other decision entered by any other court or governmental entity or (iii) United States or other applicable law, staying, restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Plan.

(d) No request for revocation of the Confirmation Order under section 1144 of the Bankruptcy Code shall remain pending.

FG. Substantial Consummation

On the Distribution Date, the Plan shall be deemed to be substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

GH. Waiver Of Conditions

Each of the conditions set forth in Article VIII of the Plan, except for Article VIII.A (related to the requirement of Confirmation and entry of the Confirmation Order), may be waived in whole or in part by the Debtor without any notice to parties in interest except the Bankruptcy Court and without a hearing. The failure to satisfy or waive any condition to the Effective Date may be asserted by the Debtor regardless of the circumstances giving rise to the failure of such condition to be satisfied. The failure of the Debtor to exercise any of the

foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right that may be asserted at any time.

VII. CERTAIN FACTORS TO BE CONSIDERED

Holders of Impaired Claims who are entitled to vote on the Plan should carefully consider the following factors, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), before deciding whether to vote to accept or to reject the Plan. This information, however, should not be regarded as the only risk involved in connection with the Plan and its implementation.

A. General Considerations

The formulation of a chapter 11 plan is the principal purpose of a chapter 11 case. The Plan sets forth the means for satisfying the Claims against and interests in the Debtor. Certain Classes of Claims will not be paid in full pursuant to the Plan, and Equity Interests will not receive any distributions pursuant to the Plan.

B. Certain Bankruptcy Considerations

1. *Failure to Confirm the Plan*

Even if all impaired Classes accept or could be deemed to have accepted the Plan, the Plan may not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things: (a) that the Confirmation of the Plan not be followed by a need for further liquidation or reorganization; (b) that the value of distributions to dissenting holders not be less than the value of distributions to such holders if the Debtor were liquidated under chapter 7 of the Bankruptcy Code; and (c) that the Plan and the Debtor otherwise comply with the applicable provisions of the Bankruptcy Code. Although the Debtor believes that the Plan will meet all applicable tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion. See Article VIII of this Disclosure Statement for additional information regarding the requirements for Confirmation.

2. *Failure to Consummate the Plan*

Consummation of the Plan is conditioned upon, among other things, entry of the Confirmation Order. As of the date of this Disclosure Statement, there can be no assurance that any or all of the foregoing conditions will be met (or waived) or that the other conditions to consummation, if any, will be satisfied. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated.

3. *Nonconsensual Confirmation*

Generally, pursuant to the “~~eramdowncram~~ cram down” provisions of section 1129 of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan at the Debtor’s request if at least one impaired Class has accepted the Plan (with such acceptance being determined without including the acceptance of any “insider” in such Class) and, as to each impaired Class that has

not accepted the Plan, the Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to such impaired Class. However, as discussed above, the “cram down” provisions of section 1129(b) of the Bankruptcy Code, are not applicable under the proposed Plan because there is only one impaired class, the General Unsecured Creditors, entitled to vote on the Plan and rejection by that class would present a bar to cram down under section 1129(b).

The Debtor reserves the right to modify the terms of the Plan as necessary for Confirmation without the acceptance of all impaired Classes. Such modification could result in less favorable treatment for any non-accepting Classes than the treatment currently provided for in the Plan.

4. *Delays of Confirmation and/or Effective Date*

Any delay in Confirmation and effectiveness of the Plan could result in, among other things, increased Administrative Claims. These or any other negative effects of delays in Confirmation or effectiveness of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court.

C. Claims Estimations

There can be no assurance that the estimated Claim amounts set forth herein are correct. In addition, certain of the Claims filed against the Debtor are in unliquidated amounts. The Debtor’s estimation of Allowed Claims assumes that such unliquidated amounts will not have a material impact on the actual aggregate dollar amount of Allowed Claims. The actual amount of Allowed Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated herein. Moreover, the Administrative Claims Bar Date will be set at a date following the Effective Date. Therefore, while an estimated amount of unpaid Administrative Claims incurred during these chapter 11 cases has been factored into the estimated recovery values, the actual amount of Allowed Administrative Claims may vary significantly from those estimated herein.

D. Causes of Action

The net amount of proceeds, if any, that the Debtor may ultimately recover from the disposition of any causes of action, if it ultimately determined that there are any causes of action to pursue, is uncertain.

E. Other Assets

The estimated recovery values reflected an estimation of net proceeds to be realized from other assets held and subsequently disposed by the Debtor. Market factors and other factors could affect the amount of net proceeds ultimately realized by the Debtor. One such asset, among others, is the Debtor’s accounts receivable. As to the accounts receivable, historically the Debtor has collected more than 80% of such accounts. Whether ultimate collections will mirror historical experience is impossible to predict

VIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF CONSUMMATION OF THE PLAN

A. General

A DESCRIPTION OF THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THIS DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE, TREASURY REGULATIONS ISSUED THEREUNDER, JUDICIAL DECISIONS AND INTERNAL REVENUE SERVICE AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT AND ALL SUBJECT TO CHANGE, POSSIBLY WITH RETROACTIVE EFFECT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION COULD CAUSE THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND IN IMPORTANT RESPECTS UNCERTAIN. NO RULING HAS BEEN REQUESTED FROM THE INTERNAL REVENUE SERVICE; NO OPINION HAS BEEN REQUESTED FROM DEBTOR'S COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN; AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THE DESCRIPTION THAT FOLLOWS DOES NOT COVER ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTOR OR HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX EXEMPT ORGANIZATIONS AND NON-U.S. TAXPAYERS NOR DOES IT ADDRESS TAX CONSEQUENCES TO HOLDERS OF INTERESTS IN THE DEBTOR. IN ADDITION, THE DESCRIPTION DOES NOT DISCUSS STATE, LOCAL OR NON-U.S. TAX CONSEQUENCES.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PLAN.

B. United States Federal Income Tax Consequences of Payment of Allowed Claims Pursuant to Plan

The United States federal income tax consequences of Plan implementation to the Holders of Allowed Claims will depend on, among other things, the consideration to be received by the Holder, whether the Holder reports income on the accrual or cash method, whether the Holder receives distributions under the Plan in more than one taxable year, whether the Holder's

claim is allowed or disputed at the Effective Date, and whether the Holder has taken a bad debt deduction or worthless security deduction with respect to its Claim.

1. *Recognition of Gain or Loss*

(a) In General

In general, a Holder of a Claim should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim less the Holder's basis in the Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Claim and the Holder, the length of time the Holder held the Claim and whether the Claim was acquired at a market discount. If the Holder realizes a capital loss, its deduction of the loss may be subject to limitation. The Holder's aggregate Tax basis for any property received under the Plan generally will equal the amount realized. The Holder's amount realized generally will equal the sum of the Cash and the fair market value of any other property received (or deemed received) by the Holder under the Plan on the Effective Date or subsequent distribution date, less the amount (if any) allocable to Claims for interest, as discussed below.

(b) Post-Effective Date Cash Distributions

Because certain Holders of Allowed Claims, including Disputed Claims that ultimately become Allowed Claims, may receive Cash distributions subsequent to the Effective Date of the Plan, the imputed interest provisions of the Internal Revenue Code may apply to treat a portion of the subsequent distributions as imputed interest. Additionally, because Holders may receive distributions with respect to an Allowed Claim in a taxable year or years following the year of the initial distribution, any loss and a portion of any gain realized by the Holder may be deferred. All Holders of Allowed Claims are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting with respect to their claims.

(c) Bad Debt and/or Worthless Securities Deduction

A Holder who, under the Plan, receives in respect of a Claim an amount less than the Holder's tax basis in the claim may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under Section 166(a) of the Internal Revenue Code or a worthless securities deduction under Section 165(g) of the Internal Revenue Code. The rules governing the character, timing and amount of bad debt or worthless securities deductions place considerable emphasis on the facts and circumstances of the Holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

2. *Pending Payments*

Cash and other Distribution Trust Assets that a Trust Account holds as a Pending Payment after the Effective Date should be deemed to have been paid to the Holder of the Claim entitled to receive such Pending Payment on the date that the Distribution Trust received it and to have been contributed by such Holder to the Trust Account as a grantor and beneficiary of the

Distribution Trust. Thus, the Holder should recognize gain or loss based upon the amount deemed received and contributed to the Trust Account on the Effective Date, and any income subsequently realized by the Trust Account with respect to such Pending Payment will be reported by the Trustee as income of the grantor-beneficiary in the year realized, prior to the actual distribution of the Pending Payment to the Holder of the Allowed Claim. The actual receipt of the Pending Payments from the Trust Account will not be a taxable event.

3. *Payments Other than Pending Payments*

If any payment other than a Pending Payment is to be made out of a Trust Account, such payment will not be deemed to have been made to any recipient until, and to the extent that, the amount to which the payee is entitled has been determined and distributed. Any income realized by the Trust Account prior to such time will be reported by the Distribution Trustee as income of and taxable to the Trust Account.

C. Certain Other Tax Consequences for Holders of Claims

1. *Receipt of Pre-Effective Date Interest*

In general, a Holder of a Claim that was not previously required to include in its taxable income any accrued but unpaid pre-Effective Date interest on the Claim may be required to take such amount into income as taxable interest. A Holder of a Claim that was previously required to include in its taxable income any accrued but unpaid pre-Effective Date interest on the Claim may be entitled to recognize a deductible loss to the extent that such interest is not satisfied under the Plan.

2. *Installment Method*

A Holder of a Claim constituting an installment obligation for Tax purposes may be required to recognize currently any gain remaining with respect to the obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than its face value, distributed, transmitted, sold or otherwise disposed of within the meaning of Section 453B of the Internal Revenue Code.

3. *Information Reporting and Withholding*

Under the Internal Revenue Code's backup withholding rules, the Holder of an Allowed Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan unless the Holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact, or provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Holders of Allowed Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

D. Importance of Obtaining Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THE PLAN.

IX. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtor believes that the Plan affords Holders of Claims against and Interests in the Debtor the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interests of such Holders. If, however, the Plan is not confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative plan or plans of liquidation, or (b) liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

A. Other Potential Plan(s)

If the Plan is not confirmed, the Debtor or, any other party-in-interest could attempt to formulate and propose a different plan or plans. Because the Debtor has ongoing operations, there may be incentives for one or more parties to file alternatives to the Plan that ultimately may or may not benefit creditors. Although the Debtor could theoretically file a new plan, the most likely result if the Plan is not confirmed and consummated is that the Chapter 11 Case will be converted to a case under chapter 7 of the Bankruptcy Code. The Debtor believes that conversion of this Chapter 11 Case to a chapter 7 would result in (i) significant delay in distributions to all creditors who would have received a distribution under the Plan and (ii) diminished recoveries for creditors.

B. Liquidation Under Chapter 7

If no plan is confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtor's assets for distribution to creditors in accordance with the priorities specified 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 the Debtor.

The Debtor believes 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 the Debtor's Estate. The assets available for distribution to creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, which would arise by reason of the liquidation and the failure to realize the greater going concern value of the Debtor's assets.

THE DEBTOR BELIEVES THAT THE PLAN AFFORDS SUBSTANTIALLY GREATER BENEFITS TO CREDITORS, AND INTEREST HOLDERS THAN WOULD ANY OTHER REASONABLY CONFIRMABLE PLAN UNDER ANY CHAPTER OF THE BANKRUPTCY CODE.

X. VOTING REQUIREMENTS

On _____, 2010, the Bankruptcy Court entered the Disclosure Statement Order which among other things, approved this Disclosure Statement, set voting procedures, scheduled the hearing on confirmation of the Plan, and approved the notice of the confirmation hearing and certain related matters (the “Confirmation Hearing Notice”). A copy of the Confirmation Hearing Notice is enclosed with this Disclosure Statement. It sets forth in detail, among other things, procedures governing voting deadlines and objection deadlines. The Confirmation Hearing Notice and the instructions attached to the Ballot, if any, accompanying this Disclosure Statement should be read in connection with this Section of this Disclosure Statement.

If you have any questions about the procedure for tabulation your Claim or the packet of material you received, please contact the Voting Agent at the address set forth below:

The Garden City Group, Inc.
Voting Agent for Pumpkin Patch LLC
P.O. Box 9502
Dublin, Ohio 43017-4802

If you wish to obtain, at your own expense, unless otherwise specifically required by Federal Rule of Bankruptcy Procedure 3017(d), an additional copy of the Plan, this Disclosure Statement, or any appendices or exhibits to such documents, please contact the Voting Agent at the address or telephone number set forth above. Copies of the Plan and this Disclosure Statement (including all exhibits, schedules and appendices) and all pleadings and orders of the Bankruptcy Court are publicly available at the Bankruptcy Court’s general Website at: <http://www.deb.uscourts.gov>. and certain pleadings and orders relevant to these chapter 11 cases may be found at <http://www.pumpkinpatchreorg.com/> which is a website set up and maintained by the Tabulation Agent.

A. Fiduciaries And Other Representatives

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another acting in a fiduciary or representative capacity, such person should indicate such capacity when signing and, unless otherwise determined by the Debtor, must submit proper evidence satisfactory to the Debtor of authority to so act. Authorized signatories should submit separate Ballots for each beneficial owner for whom they are voting.

UNLESS THE BALLOT BEING FURNISHED IS TIMELY SUBMITTED TO THE VOTING AGENT ON OR PRIOR TO THE VOTING DEADLINE, SUCH BALLOT WILL NOT BE COUNTED.

DO NOT RETURN DEBT INSTRUMENTS, OR ANY OTHER DOCUMENTATION WITH YOUR BALLOT.

B. Parties In Interest Entitled To Vote

Under section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be “impaired” under a plan unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before the default.

In general, a holder of a claim or interest may vote to accept or to reject a plan if (i) the claim or interest is “allowed,” which means generally that no party in interest has objected to such claim or interest, and (ii) the claim or interest is impaired by the Plan. If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan in respect of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan, and, accordingly, holders of such claims and interests do not actually vote on the Plan. If a claim or interest is not impaired by the Plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests do not actually vote on the Plan.

Any Claim as to which an objection has been timely filed and has not been withdrawn or dismissed is not entitled to vote, unless the Bankruptcy Court, pursuant to Bankruptcy Rule P. 3018(a), upon application of the holder of the Claim with respect to which there has been objection, temporarily allows the Claim in an amount that the Bankruptcy Court deems proper for the purpose of accepting or rejecting the Plan. The procedures for seeking such temporary allowance are set forth in the Disclosure Statement Order. The Disclosure Statement Order also sets forth assumptions and procedures for tabulating Ballots that are not completed fully or correctly.

A vote may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. Classes Impaired Under The Plan

Class 1 is the Class of Claims Impaired under the Plan and is entitled to vote on the Plan. Class 2 is not Impaired under the Plan, is deemed, under section 1126(f) of the Bankruptcy Code, to have accepted the Plan, and accordingly is not entitled to vote to accept or reject the Plan. Acceptances of the Plan are being solicited only from those who hold Claims in an Impaired Class whose members will receive a distribution under the Plan.

D. Internet Access to Bankruptcy Court Documents

Bankruptcy Court documents filed in these Chapter 11 Cases as well as the Bankruptcy Court’s calendar and other administrative matters may be found, downloaded and printed from the Bankruptcy Court’s website found at <http://www.deb.uscourts.gov>. and certain pleadings and orders relevant to these chapter 11 cases may be found at <http://www.pumpkinpatchreorg.com/> which is a website set up and maintained by the Tabulation Agent.

PLEASE SEE THE ATTACHED DISCLOSURE STATEMENT ORDER FOR OTHER PROVISIONS CONCERNING SOLICITATION AND VOTING

XI. CONCLUSION AND RECOMMENDATION.

A. Conclusion

The Debtor believes that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will result in the greatest recoveries to holders of Claims against and Interests in the Debtor. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. Consequently, the Debtor urges all Holders of Impaired Claims to vote to accept the Plan and to evidence their acceptance by duly completing and returning their Ballots so that they will be received on or before 4:00 p.m., Eastern Time, on _____, 2010.

B. Recommendation

THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR THE HOLDERS OF CLAIMS AGAINST THE DEBTOR. ACCORDINGLY, THE DEBTOR STRONGLY RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

Dated: Wilmington, Delaware
_____, 2010

PUMPKIN PATCH, LLC,

By: _____
Name:
Title:

NIXON PEABODY LLP
Dennis J. Drebsky
Lee Harrington (DE No. 4046)
437 Madison Avenue
New York, New York 10022
Telephone: (212) 940-3000
Facsimile: (212) 940-3111
E-mail: ddrebsky@nixonpeabody.com
E-mail: lharrington@nixonpeabody.com

WOMBLE CARLYLE SANDRIDGE
& RICE, PLLC
Thomas M. Horan (DE Bar No. 4641)
222 Delaware Avenue, Suite 1501
Wilmington, DE 19801
Telephone: (302) 252-4339
Facsimile: (302) 661-7707
E-mail: thoran@wcsr.com

Attorneys for the Debtor and Debtor-in-Possession

Appendix A:
Plan of Reorganization

Appendix B:

Order Approving the Disclosure Statement

Summary Report:	
Litera Change-Pro ML WIX 6.5.0.104 Document Comparison done on 4/14/2010 11:25:00 AM	
Style Name: Default Style	
Original Filename:	
Original DMS: dm://WINSTON/4333506/3	
Modified Filename:	
Modified DMS: dm://WINSTON/4354498/1	
Changes:	
Add	119
Delete	105
Move From	1
Move To	1
Table Insert	1
Table Delete	1
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Total Changes:	228