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UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA

LOS ANGELES DIVISION

In re: NASTY GAL INC., a California Corporation, Debtor.	Case No. 2:16-bk-24862-BB Chapter 11 **DECLARATION OF JOE SCIROCCO IN SUPPORT OF EMERGENCY FIRST DAY MOTIONS FOR RELIEF** **<u>Hearing:</u>** **Date:** **November 14, 2016** **Time:** **10:00 a.m.** **Place:** **Courtroom 1539** **255 East Temple Street** **Los Angeles, CA 90012**

I, Joe Scirocco, declare as follows:

1. I am the President and Chief Restructuring Officer of Nasty Gal, Inc. ("Nasty Gal" or the "Debtor"), a California corporation and I am authorized to submit and I make this declaration ("Declaration") on behalf of the Debtor in support of the

voluntary petition (the "Bankruptcy Petition") filed by the Debtor under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") commencing this chapter 11 case (the "Chapter 11 Case") and in support of each of the emergency motions, motions, applications and requests for relief filed concurrently herewith (collectively, the "First Day Pleadings").

2. Except as otherwise noted herein, I have personal knowledge of the facts presented in this Declaration, or have reviewed the Debtor's books, records and information referred to herein that were prepared and maintained by the advisors and employees engaged by the Debtor at my direction.

3. I have reviewed the First Day Pleadings and reviewed the relief requested therein and I believe that the relief requested is necessary to minimize the effects on the Debtor's business operations of the filing of the Bankruptcy Petition and to preserve and maximize the value of the Debtor's estate.

I. GENERAL BACKGROUND

4. On November 9, 2016, (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. I am informed that the Debtor is authorized to continue to operate its business and manage its assets as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

A. The Debtor's Business

5. Founded in 2008 by entrepreneur Sophia Amoruso (author and protagonist of the celebrated best-selling autobiography #GIRLBOSS and the illustrated book Nasty Galaxy), Nasty Gal is a California Corporation, headquartered in Los Angeles.

6. Nasty Gal is a leading lifestyle brand promoting professionally curated fashion merchandise coupled with imagery, content, and an intuitive web experience. To its primary demographic—young educated professional women— Nasty Gal is a highly respected style authority with a track record of delivering on-trend merchandise at a great price point. Nasty Gal enjoys an incredible and loyal customer base that connects

with the Nasty Gal brand and the lifestyle that it promotes. Nasty Gal's clientele are active shoppers with a higher than average household income.

7. Approximately 87% of Nasty Gal's revenues are derived from online sales, with the remainder conducted through two retail store locations in Los Angeles, one in Santa Monica and the other in West Hollywood.

8. The majority of Nasty Gal's online operations, merchandising, purchasing, production and corporate management are handled from its downtown Los Angeles headquarters. Nasty Gal's customer orders are processed and shipped from its state of the art e-commerce and fulfillment facility in Kentucky.

B. Debtor's Management

9. I was brought in during September, 2016 as President to assist the Debtor with a potential transaction to recapitalize Nasty Gal, including to pursue a sale to or merger with a strategic partner. My role with the Debtor has evolved to include the role of Chief Restructuring Officer and I will be the "responsible officer", responsible for day to day decision making, during the pendency of the chapter 11 case.

10. The Debtor's current directors are: Chairperson, Sophia Amoruso; CEO, Sheree Waterson; Ron Johnson; Mark Colella; and Danny Rimer.

C. Events Precipitating the Chapter 11 Filing

11. Since its inception, Nasty Gal grew rapidly, generating net revenue of $85 million for the year ended January 31, 2015 (fiscal 2014). Nasty Gal experienced difficulties, however, in managing its business to keep pace with this incredible growth, including adjusting its product mix and merchandise offerings for a booming customer base and developing internal systems to manage and control the business. Nasty Gal experienced a material contraction in revenue in 2015 and incurred a large operating loss. Although sales have stabilized and begun to grow again in the U.S. market in 2016, Nasty Gal's international sales have declined significantly, in part due to adverse movements in global currency.

12. The costs associated with managing and controlling Nasty Gal's aggressive growth and the setbacks in international markets has created significant liquidity issues that the Debtor attempted to correct with additional financing and capital-raise initiatives. Unfortunately, however, the Debtor's attempts to attract new capital have been hampered by recent market conditions that have depressed valuations of retail companies in general and online businesses in particular. Additionally, efforts at selling or merging the company have been hindered by a complex capital structure, the significant aging of Nasty Gal's existing accounts payable, strained vendor relationships that have disrupted the normal flow of merchandise and the need to further right-size its staff and facilities.

13. The Debtor believes that the protections and tools afforded to a chapter 11 debtor in possession will provide the breathing room to permit it to adjust its balance sheet, optimize operations, right-size its capital structure, maximize returns to existing creditors and emerge as a profitable enterprise poised for growth.

D. Pre-Petition Financing and Sale Efforts

14. The Debtor formally retained the investment banking firm of Peter J Solomon Company ("PJSC") in September 2015 to provide financial advisory services in connection with a potential sale or debt and/or equity investment. Prior to that formal retention, PJSC had signed an NDA back in August 2014 and worked actively with the Debtor on an intermittent basis between then and September 2015 to explore a sale or capital raising alternatives.

15. In February 2015, the Debtor received $4,000,000 in equity financing from Stamos + Johnson Fund I, L.P. ("Stamos Capital") in the form of a Series C preferred equity investment. In May 2015, PJSC began a stepped-up formal process of pursuing a sale or additional financing transactions on behalf of the Debtor which resulted in the formal retention of PJSC in September 2015. As part of that stepped-up process PJSC performed due diligence, prepared marketing materials, established a data room and contacted numerous parties about a sale or financing transaction. The continued

deterioration of the Debtor's operating performance made pursuing a sale or additional financing transactions very difficult.

16. In November 2015, the Debtor received funding from Hercules Technology Growth Capital, Inc. ("Hercules") in the form of a secured, first lien $15 million loan and, subsequently, on April 6, 2016, the Debtor received effectively a $5 million unsecured convertible bridge loan from Stamos Capital. While these rounds of financing provided continued runway to the business, they did not provide a fundamental solution to the Debtor's continued operating and liquidity challenges. The Debtor continued to lack sufficient liquidity to finance inventory, pay rent and pay certain other operating expenses.

17. In September 2016, PJSC was formally engaged to provide financial advisory services in connection with a sale transaction, financing transaction or restructuring transaction, including the potential need to consummate a transaction through a bankruptcy filing. Despite substantial efforts by PJSC and other Debtor constituents, including Hercules and Stamos Capital, the Debtor was not able to effectuate a value-maximizing transaction that fundamentally addressed the Debtor's operating challenges prior to the Debtor's bankruptcy filing.

E. Financial Performance and Current Financial Information

18. The Debtor is a privately-held corporation.

19. The Debtor is current on its secured debt obligations to Lender of $15 million at approximately 13% default interest and has, as demanded by the Lender, prepaid such interest also for the month of December, 2016. The Debtor has an outstanding unsecured convertible Note with Stamos + Johnson in the principal face amount of $5 million (the "Convertible Debt"), convertible upon the issuance of Series D Preferred Stock, which the Debtor has not yet authorized or issued. The Convertible Debt has a 3x liquidation preference of $15 million.

20. The Debtor has issued common as well as three classes of preferred stock—Series A, B and C.

21. As of January 30, 2016 and January 31, 2015, respectively, the Debtor had assets of approximately $30.8 million and $33.5 million and liabilities of $31.3 million and $29.9 million, respectively. As of August 27, 2016, the Debtor's balance sheet reflected assets of approximately $26.6 million and liabilities of approximately $34.7 million.

22. For the year ended January 31, 2015, the Debtor reported revenues of approximately $85.0 million, gross profit of approximately $34.0 million and EBITDA of negative $6.3 million. For the year ended January 30, 2016, the Debtor reported net revenues of approximately $77.1 million, gross profit of approximately $22.8 million and EBITDA of negative $15.4 million. Through August, 2016, the Debtor has reported revenue of approximately $41.1 million, gross profit of approximately $17.7 million and EBITDA of negative $3.3 million.

23. The Debtor projects that, for the year ending January 27, 2017, it will generate net revenue of $77.0 million, gross profit of $33.3 million and EBITDA of negative $1.4 million.

II. FACTS SPECIFIC TO FIRST DAY PLEADINGS

A. Motion to Use Cash Collateral

1. Secured Debt Obligations

24. The Debtor is party to that certain Loan and Security Agreement dated November 6, 2015, by and between Nasty Gal Inc., as borrower, and Hercules Technology Growth Capital, Inc., a Maryland Corporation ("Agent"), in its capacity as administrative agent for itself and for certain lender parties (collectively, "Lender"), pursuant to which the Debtor borrowed $15 million from Lender (the "Loan").

25. The Loan is purportedly secured by a lien on substantially all of the Debtor's assets.[1]

26. The Loan is subject to the following documents (the "Loan Documents"):

[1] The Debtor reserves the right to investigate the validity, priority and enforceability of the Lender's lien.

- Loan and Security Agreement dated November 6, 2015 by and between Nasty Gal and the Lender;
- Intellectual Property Security Agreement dated November 6, 2015 by and between Nasty Gal and the Lender; and
- Warrant Agreement To Purchase Preferred Stock of Nasty Gal Inc., dated as of November 6, 2015 between Nasty Gal and one of the Lenders, Hercules Technology III, L.P.

27. Pursuant to the terms of the Loan, the Debtor has made interest-only payments to Lender from November, 2015 through the Petition Date. Thus, as of the Petition Date, the Debtor was indebted to the Lender in the amount of $15 million, comprised of all principal.

28. At all times prior to the Petition Date, the Debtor has remained current on all payments due to the Lender.

2. Debtor's Need To Use Cash Collateral

29. As a clothing and fashion retailer whose value is dependent on use of inventory and cash flow, the Debtor must continue to operate in order to preserve the Debtor's going concern value.

30. I, together with the Debtor's professionals, have prepared a 13-week budget (the "Budget"), attached hereto as Exhibit A, that sets forth the Debtor's anticipated cash needs through February 4, 2017.

31. As set forth in the Budget, the Debtor requires the immediate use of cash to meet the on-going expenses of operating its business, including making the next employee payroll on November 25, 2016 in the approximate amount of $512,000 and paying payroll taxes and related employee expenses, as well as payments to trade vendors for post-petition purchases, payment of rent, utility deposits (if required), telephone, insurance, payments to other parties that supply goods and services to the Debtor post-petition and other necessary expenses associated with the administration of the bankruptcy estate.

32. Further, the Debtor pays over approximately $400,000 per week for clothing and other fashion merchandise and requires immediate use of cash to replenish inventory and continue ordinary course business operations. With respect to the purchase of inventory, the Debtor uses a number of vendors and the Debtor is currently negotiating with those suppliers to continue the existing beneficial trade terms on a going forward basis.

33. As reflected in the Budget, the Debtor projects that its cash balance will increase from approximately $1,182,000 on the Petition Date to approximately $4,743,000 on February 4, 2017.[2]

34. The Debtor has cash on hand and expects to generate cash from continuing sales. As set forth in the Budget, the Debtor projects that such cash will be sufficient to fund its chapter 11 administrative expenses, including approximately $750,000 in professional fees during the first six months in the case.

35. Because projections are forward-looking, they can never be entirely accurate. Thus, to protect the Debtor from fluctuations in expenses and costs, the Debtor requests that it be permitted to have the flexibility to increase expenditures by up to 20% for any particular line item in the Budget, and 15% in the aggregate. Under this structure, the Debtor believes it will have the flexibility to operate its business without disruption.

36. The Debtor will attempt, prior to a final hearing on the cash collateral motion, to negotiate a consensual cash collateral agreement with the Lender. If and when a consensual agreement is reached, the Debtor will file a supplement to the cash collateral motion describing the terms of the consensual agreement and requesting that the Court approve the consensual agreement at the final hearing. If for any reason a

[2] The Debtor will need to adjust these numbers to account for the cash sweep that Lender made on the Petition Date. At the time of the filing, the Debtor was trying to assess the value of the amounts that the Lender seized from its bank account(s) and other actions that the Lender may have taken.

consensual agreement is not reached before the final hearing, the Debtor will request that the Court approve the Budget at the final hearing.

37. If the Debtor is permitted to use the Lender's cash collateral to fund operations and continue the business as a going-concern, I estimate that the Debtor's going-concern value is approximately $25 million. This estimate is derived by applying a multiple to annualized proforma EBITDA of $3 to $5 million. Annualized proforma EBITDA is used for valuation purposes because the Company has not historically generated positive earnings or cash flow. Considered differently, the estimated $25 million valuation could also be derived from the combined value of the Company's inventory, sold in the normal course of business ($15M - $20M), together with the value of its intellectual property (a minimum of, $5M - $10M).

38. If the Debtor is not allowed to use the Lender's cash collateral, the Debtor will be forced to cease operations and engage in a liquidation of the Lender's collateral. I believe that, if the Company is required to implement this type of fire sale, the Lender's collateral may yield a total liquidation value of only $10 million.

39. The continued operation of the Debtor's business pursuant to the Budget through February 4, 2017 will result in an increase in the Debtor's cash of approximately $3.5 million from the Petition Date through February 4, 2016 with a less than $2 million diminution in inventory over the same period.

40. During an interim 4-week period, cash is projected to increase $3.1 million with only a $1.3 million decrease in inventory. These net increases, with no significant expense accruals, reflect the profitability of the Debtor's continued operations during these periods. Based on either a comparison of liquidation value to going-concern value, or a simple comparison of cash and inventory assets during the period, it is clear that the Lender's position is improved by the use of its cash collateral to preserve assets and going-concern operations.

B. Motion to Pay Employee Pre-Petition Wages

41. The Debtor currently has 189 non-insider employees, 103 of whom are paid on an "hours worked" basis and 86 of whom are paid an annual salary. The Debtor pays its Employees on a bi-weekly basis. Accordingly, immediately following each pay-day, the Debtor is one week in arrears on payroll because the time records must be processed before the next payroll may occur. In addition, the Debtor reimburses eligible Employees for certain out-of-pocket business expenses incurred in the ordinary course of business, such as business related travel, meals, and telephone charges.

42. The Debtor's aggregate monthly payroll is approximately $1,025,000. Prior to the Petition Date, as per its agreement with ADP Payroll Services ("ADP"), the Debtor funded and will make its regularly scheduled payroll payment on November 11, 2016, covering the period of October 21, 2016 through November 4, 2016. The Debtor seeks to, among other things, pay unpaid compensation and related taxes within the limits of sections 507(a)(4) and (5) of the Bankruptcy Code, in the approximate amount of $80,035.61, for the period of November 5, 2016 through November 8, 2016. If approved by the Court, such amounts will be included in the regularly scheduled payroll payment to be made on November 25, 2016.

43. The Debtor uses ADP to pay its Employees. Once every two weeks, ADP automatically withdraws funds from the Debtor's main operating account (account number ending in 7741) at Square 1 Bank ("Square 1"), a division of Pacific Western Bank, to meet the payroll obligations. Prior to each bi-weekly payroll, the Debtor provides ADP with relevant payroll information, which ADP uses to electronically deduct the appropriate amounts from the Debtor's account for employee payroll and related taxes. ADP then deposits funds in the accounts of Employees that use direct deposit or issues and delivers paychecks to the Debtor and the checks are handed out to Employees. Currently, 176 of the Debtor's Employees have elected to have their paychecks directly deposited into their bank accounts.

44. The Debtor intends to continue to utilize ADP postpetition, in the ordinary course of business and in the same manner as utilized pre-petition, in accordance with the terms of the Debtor's agreement with ADP.

45. In the ordinary course of business, as is customary with most retail companies, the Debtor offers a benefits package to all of its Employees (the "Employee Benefits"), including the following: (a) paid time off for holidays; (b) paid time off for vacation, sick time and personal time ("PTO"); (c) medical insurance; (d) dental insurance; (e) vision insurance; (f) employee funded healthcare flexible spending account; and (g) employee funded 401(k) plan. The combined monthly cost of the Employee Benefits to the Debtor is approximately $124,329 per month for all Employees.

46. As described above, certain of the Employees are permitted to take PTO. These Employees have accrued PTO based upon work performed pre-petition, totaling approximately $329,420.84. A true and correct chart detailing the amounts owing by the Debtor as of the Petition Date for all accrued PTO leave is included in Exhibit B, attached hereto.

47. The Debtor does not propose to pay the amounts owing for accrued paid leave in lump sum cash payments, but rather requests authority to permit current Employees to use their accrued paid vacation, sick and personal days in the ordinary course of business postpetition. With respect to the amounts accrued by former employees, to the extent that any former employee would be entitled to payment on account of unused accrued paid leave upon the termination of employment under the Debtor's employment policies or applicable law, and provided that any such former employee files and serves a timely proof of claim in this Case, such claim shall be afforded priority status under section 507(a)(4), subject to the limitations set forth therein.

48. The Employees perform a variety of critical tasks, including operating and supporting the Debtor's website, managing the Debtor's stores and fulfillment center, accounting for the Debtor, and administration of the Debtor, including sales, marketing,

merchandise purchasing, order fulfillment, and customer service. The Employees' knowledge and understanding of the Debtor's operations and vendor and customer relations are essential to the effective restructuring of the Debtor's business. Without the continued services of the Employees, an effective restructuring of the Debtor will not be possible.

49. If pre-petition wage, compensation, benefit and reimbursement amounts are not received by the Employees in the ordinary course, they will suffer extreme personal hardship and, in some cases, will be unable to pay their basic living expenses. Such a result would destroy employee morale and result in unmanageable employee turnover, causing immediate and pervasive damage to the Debtor's ongoing business operations, thereby resulting in immediate and irreparable harm to the Debtor and its estate.

50. The Debtor believes that the Employees may quit if they are not paid their salaries and benefits in full in a timely fashion. This is particularly true given that some of the Employees work on a part-time basis, and the majority of the Employees are paid on an hourly basis. Such Employees would have little incentive to continue working for the Debtor and could very quickly acquire new employment elsewhere. As a retail business, it is crucial for the Debtor to retain a sufficient number of full-time and part-time Employees to operate each of its retail stores as well as the fulfillment center in Kentucky and corporate offices. The Debtor must retain the Employees to continue its business operations without interruption and preserve and maximize the value of its assets during this Case.

51. The Debtor's personnel are familiar with the Debtor's operations, policies and procedures and business philosophy, and, thus, essential to the preservation of the Debtor's business. Therefore, the Debtor's failure to pay pre-petition wages to the Employees and honor the Debtor's employment and benefit policies will likely result in severe disruptions to the Debtor's operations to the detriment of this case. The Debtor's ability to reorganize and preserve the full value of its business and assets depends upon

the Debtor's continued operations, which cannot occur without the efforts of the Employees.

52. In order to attract and retain the Employees, the Debtor maintains what it believes are competitive and reasonable employment and benefit policies. The Debtor believes that maintaining good relationships with, and the morale of, the Employees requires continuing to honor the employment and benefit policies currently in effect for the Employees.

53. The Debtor is not seeking authority to pay the pre-petition priority wages of any employees who are "insiders" (as defined in the Bankruptcy Code). Approval to pay compensation to "insider" employees may be sought pursuant to Notices of Setting Insider Compensation which will be filed with the United States Trustee.

54. All of the Employees' claims for pre-petition Wages are within the $12,850 limit established by 11 U.S.C. § 507(a)(4). None of the Employees shall receive more than $12,850 on account of pre-petition priority claims for wages.

55. Based on the Debtor's cash flow projections, the Debtor does not believe that the payment of pre-petition priority claims for its Employees' wages and the honoring of employment and benefit policies will render its bankruptcy estate administratively insolvent.

C. Motion To Continue Certain Cash Management Practices

56. The current Cash Management System is comprised of nine Bank Accounts (the "Bank Accounts") at two financial institutions, Bank of America N.A. ("BofA") and Square 1 Bank, a division of Pacific Western Bank ("Square 1," and collectively with BofA, the "Banks"). Each of the Bank Accounts are held in the name of the Debtor and are maintained at institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). The Bank Accounts are designed to accommodate a variety of types of sales and transactions and to collect, organize, and track a number of different forms of receipts and disbursements. Three of the Debtor's Bank Accounts are located at BofA, which is designated as an authorized depository by the U.S. Trustee, with the remaining

six of the Debtor's Bank Accounts located at Square 1, which is not designated as an authorized depository by the U.S. Trustee. A true and correct list and description of each of the Debtor's bank accounts is attached hereto as Exhibit C (the "Bank Accounts").

57. The Debtor maintains separate accounts for its two physical stores (the "Store Accounts") in different branches of BofA. The Store Accounts are maintained at branches in close proximity to the Debtor's retail locations, so that the store managers can deliver cash receipts to the Banks on a daily basis. Each of the Store Accounts is automatically swept into a primary BofA account on a daily basis (the "Current Primary BofA Account"). Historically, once the Current Primary BofA account reached a balance of approximately $50,000, any amounts over $50,000 were manually swept into the main operating account maintained at Square 1 (the "Square 1 Main Operating Account"). An aggregate average of $12,000 in cash is deposited into the Current Primary BofA Account on a monthly basis. A true and correct diagram showing the flow of funds into, through and out of the current Cash Management System is attached hereto as Exhibit D.

58. To facilitate credit card payments both in-store and on-line, the Debtor utilizes several credit card processing companies, including: (1) Vantiv Integrated Payments ("Vantiv") for in-store credit card payments; (2) Paypal Holdings, Inc. ("Paypal") for a portion of on-line purchases; (3) Braintree (a subsidiary of Paypal) ("Braintree") for on-line credit card payments; and (4) GoInterpay ("GoInterpay") for international on-line credit card payments. Vantiv generally deposits funds into a deposit account at Square 1 one day after the purchase is made (the "Square 1 Deposit Account") and Braintree and GoInterpay generally deposit funds into the Square 1 Main Operating Account one day after the purchase is made. Paypal purchases are automatically credited to the Debtor's Paypal account (the "Paypal Account") when the sale is processed and, historically, once the Debtor's Paypal account balance reached

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approximately $50,000, any amounts over $50,000 were manually swept into the Square 1 Main Operating Account.

59. With the exception of certain reserves as described above, funds deposited into each of the Store Accounts, Primary BofA Account and Square 1 Deposit Account are manually and/or automatically swept into the Square 1 Main Operating Account.

60. The Debtor also maintains three money market accounts at Square 1 (the "Money Market Accounts") that are held as security for letters of credit associated with the leases (the "Leases") of (1) the corporate headquarters located at 523 W. 6th Street, Suite 330, Los Angeles, CA 90014 (the "Corporate Headquarters"); (2) the retail store located in Santa Monica at 1254 3rd St. Promenade, Santa Monica, CA 90401 (the "Santa Monica Store"); and (3) the retail store located in Hollywood at 8115 Melrose, Los Angeles, CA 90046 (the "Melrose Store").

61. Once funds are deposited into the Square 1 Main Operating Account, the Debtor pays all domestic expenses, including merchandise costs, customer refunds, payroll, rent, utilities, taxes and all other expenses via ACH transfer, check or wire transfer from the Square 1 Main Operating Account. A small number of payments to foreign suppliers are made via Paypal.

62. On the Petition Date, the Debtor will open five new debtor in possession bank accounts at BofA, including:

a. The BofA Main Operating DIP Account – main depository account into which all deposits will be made, including amounts from store accounts, credit card processors, Paypal accounts, and the Square 1 Main Operating Account. Except as set forth below, all payments will be made out of this account;

b. One DIP store account for the Santa Monica Store – all cash from store sales at the Santa Monica Store will be deposited into this account and the account will be automatically swept on a daily basis into the BofA Main Operating DIP Account;

c. One DIP store account for the Melrose Store - all cash from store sales at the Melrose Store will be deposited into this account and the account will be automatically swept on a daily basis into the BofA Main Operating DIP Account;

d. DIP payroll account – Funds sufficient to pay payroll and payroll related expenses and taxes will be transferred into this account from the BofA Main Operating DIP Account. The funds will ultimately be deposited with ADP, the Debtor's payroll servicer; and

e. DIP tax account - Funds sufficient to pay all non-payroll related taxes will be transferred into this account from the BofA Main Operating DIP Account and paid to the taxing authorities as amounts are due and owing.

A true and correct diagram showing the proposed Cash Management System is attached hereto as Exhibit E.

63. Due to restrictions on and costs associated with international wires, the Debtor proposes to continue to use PayPal to make payments to foreign vendors. In addition, due to restrictions on the Money Market Accounts, including severe penalty provisions, the Debtor is unable to close these accounts and reopen the accounts at BofA. The Debtor proposes to maintain these accounts according to their terms. To the extent the Debtor can close the Money Market Accounts and reopen the accounts at BofA with nominal expense, the Debtor will endeavor to do so and inform the U.S. Trustee.

64. The Debtor is informed and believes that several of its credit card processing companies and a number of vendors could take up to 7 to 10 business days to redirect payments to the new accounts. Any immediate disruption to the Debtor's ability to collect cash will unnecessarily and significantly hinder the Debtor's day-to-day operations and impede the successful administration of its chapter 11 estate. Therefore, the Debtor requests authority to maintain the Square 1 Main Operating Account for up to 15 days following the Petition Date. Upon completion of this transition, the Debtor will immediately close the Square 1 Main Operating Account.

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65. The Debtor also requests authority to maintain the Money Market Accounts, which are used as security for letters of credit associated with the Leases. The Money Market Accounts are not and will not be used for the collection or payment of any funds. Any attempt to close and then reopen these accounts will be unduly costly.

66. Finally, the Debtor requests authority to maintain its existing accounts and payment processing associated with its credit card collections, including the PayPal Account. Any attempt to close and then reopen the PayPal Account, or to change its credit card processing system and vendors, will be cost-prohibitive, significantly delay the collection of cash, be unduly disruptive, and hinder the Debtor's reorganization efforts.

67. In the ordinary course of business, the Debtor uses a variety of correspondence and business forms, including, but not limited to, letterhead, purchase orders, and invoices (collectively, the "Business Forms"). The Debtor seeks authority to use all Business Forms without reference to the Debtor's status as debtors in possession.

68. In the ordinary course of the operation and maintenance of the Cash Management System, the Debtor has and will continue to incur fees and other charges. The Debtor seeks authority, in its sole discretion, to pay any such routine prepetition banking fees owed to Square 1 on account of the Square 1 Main Operating Account in the amount of not to exceed $2,500. Payment of these charges will minimize disruption to the Debtor's operations and is therefore in the best interests of the estate.

69. The Debtor's Bank Accounts are either (a) covered by FDIC insurance or (b) located at BofA which is on the list of depositories approved by the U.S. Trustee. Accordingly, no other security needs to be provided to ensure that the Debtor's Bank Accounts comply with section 345 of the Bankruptcy Code and the U.S. Trustee Guidelines.

D. Motion to Approve A Key Employee Retention Plan

70. Prior to the Petition Date, the Debtor started experiencing the loss of some of its highly valuable employees throughout critical areas of its business. These losses included employees that performed several critical functions.

71. In light of these departures, the Debtor recognized a need to address the concerns of their employees and their creditors, and to align the interests of these respective constituencies. Accordingly, the Debtor initiated a review of its employment and compensation package, and assessed ways to improve and tailor them to prevent further departures.

72. In this context, the Debtor has developed the KERP, which applies to 26 employees (the "KERP Employees"). None of the KERP Employees are officers or directors of the Debtor. Collectively, these employees have an in-depth knowledge of the Debtor's pre-petition businesses, assets, liabilities, counterparties, and operations and are absolutely essential for the Debtor to maximize the value of its estate during this chapter 11 case. KERP Employees have been identified with the intention to preserve value for the Estate principally by maintaining the orderly operation of the Debtor's ecommerce business. Their critical functions include, but are not limited to, marketing, sales, merchandising, product design, legal services, and website management.

73. Given the challenges posed by the highly competitive retail industry in which the Debtor operates, we developed the KERP with the goal of: (i) incentivizing the KERP Employees to create value for the benefit of all stakeholders; (ii) motivating and retaining the KERP Employees throughout the Debtor's restructuring process; and (iii) rewarding the KERP Employees at market level compensation.

74. The KERP has been reviewed and approved by the Debtor's management. The KERP is a reasonable, cost-effective way to provide the appropriate incentives to key personnel in order to maximize the value of the Debtor's estate. The costs associated with the KERP, which are only incurred upon achievement of a successful outcome, are significantly outweighed by the benefits that will be realized by encouraging KERP

Employees to focus on the Debtor's operations and facilitate an effective reorganization process.

75. We have analyzed the Debtor's workforce to determine which employees were critical to a successful restructuring and should be covered by the KERP. We selected the KERP Employees based on their status as critical, hard-to-replace employees. Many of the KERP Employees have developed valuable institutional knowledge regarding the Debtor's ongoing business operations that would be difficult and expensive to replace. Preserving this institutional knowledge is critical to the successful completion and efficient administration of the Debtor's chapter 11 case. Accordingly, the KERP is designed and expected to maximize retention throughout the chapter 11 process.

76. The key terms of the KERP are as follows:

a. KERP Employees: The KERP is limited to 26 key employees of the Debtor. None of the KERP Employees are officers or directors of the Debtor.

b. Form and Amount of Payout: Cash. Individual payouts under the KERP range from 3.75% to 22.5% of the KERP Employees' respective base salaries, with a floor of $5,000 per employee.

c. Performance Metric and Timing of Payout: Payouts under the KERP will be made to those employees who remain employed through upon the later of: (i) 90 days after successful emergence of the Debtor from chapter 11, or (ii) 90 days after completion of a sale of the Debtor pursuant to section 363 of the Bankruptcy Code (the "Retention Period"). Employees who are terminated or who resign with good reason in the event of a sale of the Debtor will retain and be paid under the KERP.

d. Maximum Amount of KERP: The total maximum amount of the KERP is $623,105.00, plus $50,000 for a discretionary pool set up for additional participants, as set forth in paragraph (e) below.

e. Discretionary Pool. The Debtor seeks authority, in its discretion, and without the need for further Court approval, to modify the KERP as it deems appropriate to include additional non-insider key employees (the "Discretionary Pool"). The aggregate amount of the Discretionary Pool shall not exceed the sum of $50,000.00.

77. A true and correct list of the KERP Employees, their duties, and their proposed payouts is attached hereto as Exhibit F.

78. The KERP Employees are the only individuals performing certain tasks of the Debtor, and possess unique and vital institutional knowledge that is critical to executing day-to-day business operations. If the KERP Employees were to resign, the value and benefits of their experience will be lost. Relying on newly hired employees to perform the KERP Employees' crucial functions would severely hinder the Debtor's operations. Moreover, training and utilizing new employees would come at a significant expense, in terms of both actual cost and delay to the Debtor's business. In turn, the KERP payment will incentivize KERP Employees to remain employed with the Debtor.

79. The bonuses paid under the KERP are not meant to be a windfall for the KELP Employees, but rather to ensure that they are adequately compensated, in line with what the KERP Employees could expect to get paid were they to leave their position with the Debtor and seek another employment opportunity. Based on the Debtor's extensive experience in the retail industry, the Debtor respectfully submits that the KERP reflects prevailing market conditions.

80. The Debtor exercised proper diligence in determining whether the KERP was necessary. Specifically, the Debtor's management team extensively discussed the importance and terms of the KERP, as well as the impact of possible voluntary resignations and attrition which would likely occur if the KERP was not approved.

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E. Motion to Continue Customer Policies

81. In the ordinary course of business, the Debtor sells gift cards (collectively, the "Gift Cards") to customers in various amounts. Customers can purchase Gift Cards through the Debtor's e-commerce website, which can be accessed at www.nastygal.com. Gift Cards can be used for e-commerce purchases. All Gift Cards are non-returnable and non-refundable.

82. The Debtor allows its customers to return or exchange regular or promotional merchandise that is unworn, unwashed, undamaged, and with tags attached for any reason within 30 days of original purchase (the "Refund and Exchange Program"). No returns are accepted for any item that is worn, damaged, washed, or altered in any way. Items marked "final sale," as well as opened makeup, earrings, ear cuffs, underwear, and vintage accessories are not accepted for return. If an item goes on sale within 7 days of a customer's purchase, the Debtor will refund the price difference in the form of online store credit, if purchased online, or back to the original method of payment if purchased at one of the Debtor's physical stores. Programs similar to the Refund and Exchange Program are common in the retail industry, and similar programs are used by the Debtor's competitors.

83. Based on historical practice, the Debtor's books and records reflect an aggregate net liability in respect of Gift Cards and store credit of approximately $1,040,000.

84. As a result of the inherently uncertain nature of the Refund and Exchange Program, the Debtor is unable to estimate the value of its obligations with precise accuracy in respect thereto as of the Petition Date. The Debtor, however, does not expect the commencement of this Case to result in a significant deviation in the volume of monthly returns and exchanges from that which it experienced pre-petition, which averages approximately 20% of gross sales per month, with a holiday spike in December.

85. The Debtor offers various promotional offers to customers throughout the year (collectively, the "Promotions"). The Promotions are aimed at driving sales, maintaining market competitiveness, and building brand loyalty. The Debtor offers various in-store and online promotions that provide discounts to customers, such as "percentage off" promotions. The Promotions are similar to those routinely offered in the retail industry.

86. In addition to cash, the Debtor accepts several other methods of payment from customers at their point of sale, including (i) credit cards; (ii) PayPal; and (iii) Square. For all methods of non-cash payment the Debtor receives the net customer sales less any chargebacks, returns, and processing fees charged. The current amount of chargebacks, returns, and processing fees outstanding is $292,316. The processing fees charged by each company vary, but are in the range of 1% to 4%. The fees that are owing to these companies are set off from the funds that are remitted to the Debtor on a daily basis. In addition, the Debtor has a reserve of $1.5 million with Braintree, Inc. ("**Braintree**") from funds that Braintree receives processing credit card payments for the Debtor.

87. Maintaining the use of credit cards and other payment mechanisms, such as PayPal, is essential to the continuing operation of the Debtor's business because the vast majority of the Debtor's sales are made using non-cash payment methods.

88. The Debtor believes the pre-petition obligations due to the customers on an individual basis will not exceed $2,850 per individual.

89. The Debtor has sufficient funds to pay any amounts related to the customer-related programs (the "Customer Programs") in the ordinary course of business. Under the Debtor's existing cash management system, the Debtor has made arrangements to readily identify checks or wire transfer requests relating to the Customer Programs, as applicable. The Debtor believes there is minimal risk that checks or wire transfer requests that the Court has not authorized will be inadvertently made.

F. Motion For Order Determining That Utilities Are Adequately Assured of Future Payment

90. In connection with the daily operation of the Debtor's business, the Debtor uses electricity, water, gas, sewer, telephone and telecommunication, waste removal, and other utility services from approximately 13 utility companies.

91. The Debtor incurs an average of approximately $30,000 in utility fees and charges per month in the aggregate.

92. The Debtor generally pays all utility invoices as they come due and holds no past due balances as of the date hereof. A true and correct list of the companies that provide these utility services (the "Utilities") is attached hereto as Exhibit G.

93. Uninterrupted utility services are essential to the Debtor's ongoing operations. The Debtor expects that some or all of the Utilities may alter, refuse, or discontinue service if adequate assurance of payment for post-petition services is not provided to such Utilities. The Debtor wants to establish reasonable procedures to allow the Court to determine whether such adequate assurances have been provided to the Utilities to ensure that no delays occur in resolving any disputes that may arise and that there will be no interruption in post-petition utility services that could adversely affect the Debtor's ability to reorganize. Therefore, the requested relief is essential to the Debtor's reorganization efforts.

94. Any interruption in the Debtor's utility services could bring the Debtor's operations to a halt, which would prejudice significantly the Debtor's ability to operate its business and successfully reorganize.

G. Motion For Order Limiting Scope of Notice

95. Based on the Debtor's books and records, the Debtor has approximately 1,800 creditors and equity security holders.

96. Many of the motions and applications that will be filed in this case will involve matters that ordinarily fall within the parameters of notices required to be given

to all creditors and equity security holders in the Debtor's case, but which will not actually affect a majority of creditors or equity interest holders.

97. The Debtor submits that the proposed limited scope of notice, as set forth in the Debtor's *Motion For Entry Of An Order Limiting Scope Of Notice And Related Relief* (the "Limit Service Motion") is necessary to avoid the unnecessary administrative costs of serving notice of all pleadings on over 1,800 parties, many of whom will not even read such notices, while simultaneously assuring that the interested parties in this Case receive proper and sufficient notice of all matters.

98. The Debtor anticipates that the involvement of all such parties in interest and the potential presence of an Official Unsecured Creditors Committee in this case will ensure adequate representation of the interests of holders of claims and interests generally in the course of this case and in the evaluation of the actions proposed to be taken as described in the notices to be given.

99. The Debtor believes that the adoption of the proposed limited notice procedure, as set forth in the Limit Service Motion, is necessary and appropriate for at least four reasons. First, having to provide notice of all such matters to all creditors may delay and hamper the conduct of the Debtor's business and impede the consummation of transactions and the negotiation of settlements which may be disadvantageous to the Debtor's estate and creditors. Allowing for the form of notice requested herein will allow the Debtor to better focus its energies on maximizing value for creditors of the estate. Second, sending notice to all creditors would substantially increase the copying and postage costs of this case, resulting in less value being potentially available to the estate. Third, any party in interest who is sufficiently interested in the kinds of transactions that are the subject of the requested limitation of notice may, by special request, receive all notices. Fourth, any party against whom relief is sought by a motion, application or otherwise, will be afforded notice by the Debtor as a matter of course.

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I declare under penalty of perjury that the foregoing is true and corrected. Executed this __th day of November, 2016 at Los Angeles, California.

Joe Scirocco

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EXHIBIT A

Cash Collateral Budget

Nasty Gal, Inc. - Cash Forecast

Weekly Cash Forecast

($ in 000s)	1	2	3	4	5	6	7	8	9	10	11	12	13	13-Week
Week #	Stub Week	Forecast	Forecast	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Week ending	12-Nov-16	19-Nov-16	26-Nov-16	3-Dec-16	10-Dec-16	17-Dec-16	24-Dec-16	31-Dec-16	7-Jan-17	14-Jan-17	21-Jan-17	28-Jan-17	4-Feb-17	Total
Operating Cash Receipts														
Wholesale Receipts	-	-	250	-	-	-	-	-	-	-	-	500	-	750
Retail / eCommerce	793	1,387	2,058	2,183	1,658	1,658	1,658	1,133	1,089	1,089	1,089	1,089	1,311	18,195
Credit Card Fees & Chargebacks	(22)	(38)	(56)	(57)	(44)	(44)	(44)	(30)	(29)	(29)	(29)	(29)	(35)	(485)
Total Operating Receipts	771	1,349	2,252	2,125	1,614	1,614	1,614	1,103	1,060	1,060	1,060	1,560	1,276	18,459
Operating Cash Disbursements														
Merchandise	-	413	415	442	543	430	294	318	557	639	519	511	566	5,646
Critical Vendor Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Freight / Customs	-	-	500	-	-	-	500	-	-	-	500	-	-	1,500
Payroll, including Employee Benefits, Taxes	-	-	512	23	439	26	439	87	462	8	439	69	439	2,943
Chief Restructuring Officer	-	-	25	13	13	13	13	13	13	13	13	13	13	150
Independent Contractor (a)	-	26	15	36	101	25	5	11	36	82	24	11	36	408
Net Rent	-	-	-	-	515	-	-	-	-	410	-	-	-	925
Utilities	-	-	10	-	-	-	-	30	-	-	-	30	-	70
Taxes (Sales, RE, etc)	-	-	135	25	-	-	110	25	25	-	-	277	25	623
Insurance	-	-	-	37	-	-	-	-	-	-	-	-	-	37
Digital Marketing	-	-	-	653	-	-	-	-	544	-	-	-	605	1,802
Other / Misc	-	15	-	85	15	-	15	-	85	-	15	-	85	315
Total Operating Disbursements	-	454	1,612	1,313	1,625	494	1,376	483	1,721	1,151	1,510	911	1,769	14,419
Operating Cash Flow	771	895	640	812	(11)	1,121	238	620	(661)	(91)	(450)	649	(493)	4,041
Bankruptcy Expenditures														
Professional Fees	15	-	-	55	-	200	-	-	5	-	200	-	5	480
Total Bankruptcy Disbursements	15	-	-	55	-	200	-	-	5	-	200	-	5	480
Net Cash Flow	756	895	640	757	(11)	921	238	620	(666)	(91)	(650)	649	(498)	3,561
Beginning Book Cash	1,182	1,938	2,833	3,473	4,230	4,219	5,140	5,378	5,998	5,332	5,241	4,592	5,241	1,182
Net Cash Flow	756	895	640	757	(11)	921	238	620	(666)	(91)	(650)	649	(498)	3,561
Ending Book Cash Balance	1,938	2,833	3,473	4,230	4,219	5,140	5,378	5,998	5,332	5,241	4,592	5,241	4,743	4,743

(a) Includes employees paid as independent contractors that perform the following functions: IT services, engineering contracting, technology services, marketing, and financial planning and analysis

Memo: Bankruptcy / Professional Fees Disbursed														
Robins, Kaplan	-	-	-	-	-	150	-	-	-	-	150	-	-	300
UCC Legal & FA	-	-	-	50	-	50	-	-	-	-	50	-	-	150
Claims and Noticing Agent	15	-	-	5	-	-	-	-	5	-	-	-	5	30
Total	15	-	-	55	-	200	-	-	5	-	200	-	5	480

Nasty Gal, Inc. - Inventory Roll-Forward

Weekly inventory Forecast

	Week #	1	2	3	4	5	6	7	8	9	10	11	12	13	13-Week
		Forecast	Forecast	Forecast	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
($ in 000s)	**Week ending**	12-Nov-16	19-Nov-16	26-Nov-16	3-Dec-16	10-Dec-16	17-Dec-16	24-Dec-16	31-Dec-16	7-Jan-17	14-Jan-17	21-Jan-17	28-Jan-17	4-Feb-17	Total
Beginning Inventory Balance		**9,712**	**9,704**	**9,538**	**9,057**	**8,566**	**8,418**	**8,157**	**7,760**	**7,628**	**7,697**	**7,848**	**7,879**	**7,903**	**9,712**
Additions to Inventory		571	413	415	442	543	430	294	318	557	639	519	511	566	6,217
Reduction of Inventory		(579)	(579)	(895)	(933)	(691)	(691)	(691)	(449)	(488)	(488)	(488)	(488)	(574)	(8,034)
Ending Inventory Balance		**9,704**	**9,538**	**9,057**	**8,566**	**8,418**	**8,157**	**7,760**	**7,628**	**7,697**	**7,848**	**7,879**	**7,903**	**7,895**	**7,895**

Exhibit B

Employee Amounts Owed

ROBINS KAPLAN LLP
ATTORNEYS AT LAW
LOS ANGELES

Nasty Gal, Inc.
Payroll Liabilites
As of November 8, 2016

Payroll Name	Accrued Payroll	Accrued PTO
Alfakey, Yasmine	128.98	-
Allen, Chad	276.92	226.29
Alvarado, Kimberly	164.36	-
Amoruso, Sophia C	-	-
Argueta, Tamara	150.84	137.98
Arnett, Angela L	400.00	2,171.40
Bailey, Hayley	330.77	1,306.67
Baker, Nichole P	600.00	1,318.43
Bamiro, Anuoluwapo	93.67	-
Barcellos, Samantha B	615.38	1,234.46
Beadle, Kristin E	211.76	334.65
Beckovic, Tidza	232.13	814.01
Belton, Alyssa Jeanesse	107.27	128.13
Bense, Mark F	1,538.46	2,202.12
Biven, Danielle	289.41	145.86
Biven, Erica R	364.15	862.45
Bogard, Adam W	306.28	198.46
Bradley, Tina	213.75	299.21
Brown, Nicole K	638.46	1,623.93
Bryant, Alyssa	140.63	-
Buchanan, Brea	176.00	-
Card, Diane	633.08	1,427.43
Cardenas Dubon, Guadalupe	533.08	3,043.40
Clavell, Alexis J	74.29	-
Cola-Pinto, Whei-Wen	1,730.77	4,247.09
Collier, Elizabeth M	384.61	2,923.45
Cooper, Jenifer L	355.78	169.51
Corpuz, Leslie T	369.23	1,496.21
Cunningham, Colleen A	245.28	640.38
Davis, Hannah	36.03	-
De Los Santos, Claudia	540.00	2,468.00

Payroll Name	Accrued Payroll	Accrued PTO
Dean, Emma	90.47	-
Deem, Chloe E	500.00	744.88
Deloney, Steven	160.71	153.53
Dezern, Alexandria	330.77	140.08
Dezern, Donald	476.92	977.63
Diaz-Mihell, Christopher A	369.23	1,849.29
Dorsey, Kathren	225.00	332.81
Douglas, Adam	323.44	512.34
Dunning, Jennifer P	354.36	72.10
Edwards, Christopher	303.85	226.67
Escobar, Christina	473.98	817.38
Filiatreau, Olivia	284.84	656.97
Fischer, Craig A	846.15	6,454.89
Fuentes, Boris E	461.54	1,860.46
Goenaga, Natalie A.	92.17	-
Golden, Elise C	550.00	1,294.43
Gordon, Niesa	83.34	-
Gray, Erin M	523.08	1,518.49
Grulovic, Tiyana	1,000.00	910.13
Guzman, Taleen Nikole	217.35	697.75
Han, Samuel	769.23	3,760.96
Hardy, Darin A	1,038.46	3,702.25
Harris, Kiani	148.52	-
Hart, Jamie	305.39	288.39
Haskett, Heidi	399.81	1,672.31
Hollerbach, Emily G.	61.42	-
Hunt Khouzam, Kimberly	2,110.00	23,737.50
Huynh, Jennie	227.70	1,007.96
Irons, Kingsley	615.38	1,030.61
Jackson, Patricia	390.48	1,206.96
Jacobson, Brian	246.03	142.30
Johnson, Eileen	887.69	9,986.54
Johnson, Rachel A	317.64	851.57
Jones, Autumn	276.92	1,459.67
Kays, Whitney	383.73	595.00
Kempster, Kaitlyn M	423.08	462.63

Payroll Name	Accrued Payroll	Accrued PTO
Kinsella, Heidi R	653.85	723.97
Kouremetis, Dena A	122.95	173.29
Kruger, Lissa M	653.85	2,037.47
Kumar, Pradeep	846.15	586.81
Lauigan, Lauren A	323.08	896.05
Leppla, Autumn	95.14	-
Levinson, Nika E	206.84	1,215.94
Liu, Dafu	311.09	296.06
London, Tyler D	297.96	257.80
Lumibao, Joellen M	307.69	2,026.46
Ly, Mei L	400.00	971.40
Magallon, Krystal M	369.23	459.14
Maglaras, Courtney E	846.15	3,852.01
Mancillas, Gary D	287.65	531.19
Mangan, Jane	2,307.69	13,099.33
Marks, Courtney	189.05	115.51
Martenson, Lauren E	615.38	240.62
Mattingly, Leah M	338.83	428.44
Maya, Claudia	189.51	393.41
Mayer, Michelle L	538.46	3,125.70
McWilliams, Juliana R	576.92	1,561.16
Meadors, Tonya	200.53	115.24
Melendez, Alexxa	64.46	-
Melton, John	684.62	5,232.01
Meredith, Samantha	238.50	76.27
Montoya, Rose M	634.61	1,970.32
Morgan, Ashley M	245.14	363.73
Morris, Richard R	1,715.38	12,338.11
Mortensen, Justin B	923.08	7,040.07
Moss, Holly A	807.69	3,390.19
Moye, Tina M	277.89	1,988.72
Munoz, Katherine	415.38	3,023.11
Munoz, Vanessa B	330.77	377.82
Munyon, Lauren E	653.85	1,210.27
Murphy, Anne M	1,164.81	8,569.93
Murphy, Keely	220.70	989.82

Payroll Name	Accrued Payroll	Accrued PTO
Nero, Nicole M	193.36	865.52
Niemetz, Spencer C	291.56	472.86
Nunn, Heather	237.94	201.03
Osborne, Christina	443.29	205.19
Ovakimyan, Yelizaveta	461.54	3,500.94
Parker, Sophia	730.77	774.89
Patton, Kimberly	342.52	74.18
Pawlowski, Sophie E	307.69	895.88
Perkins, Debra	369.39	229.65
Pizula, Lindsey M	215.46	655.50
Polk, Crystal	250.59	-
Posner, Rachel L	213.08	216.51
Quinteros, Carlos	73.90	-
Ralston, Jason	407.69	2,575.24
Ramirez, Alyssa N	138.16	-
Ramirez, Remy T	423.08	2,332.89
Ramos, Vania I	253.87	155.85
Raygoza, Marc D	1,253.85	3,817.02
Reider, Katherine E	461.54	1,131.81
Reyes Ramirez, Adriana	205.47	419.15
Rivera, Brittany A	265.01	610.19
Robles, June	48.74	-
Romanchenko, Oleksandr	1,153.85	8,485.53
Romero, Gian C	181.34	1,155.24
Roulin, Shari E	1,346.15	13,350.65
Rucker, Danielle R	54.93	-
Salazar, Marchella	49.84	-
Sandoval, Carina	192.75	717.44
Sansone, Joseph T	2,692.31	29,943.85
Satterly, Elizabeth	228.28	137.37
Sernas, Alondra	91.55	-
Sexton, Patty	227.71	170.69
Sgro, Jeffrey T	1,538.46	16,417.50
Sila Da Veiga Jardim, Nina M.	41.14	-
Sill, Caroline D	692.31	3,995.40
Smith, Victoria	71.06	-

Payroll Name	Accrued Payroll	Accrued PTO
Sotirin, Sarah E	384.62	1,082.12
Soto, Andrea	391.58	1,190.24
Spencer, Brett L	1,153.85	14,032.07
Spokony, Elizabeth J	384.61	2,473.45
Stoess, Brandy L	264.60	42.50
Sullivan, Iris Z	715.38	1,135.58
Thomas, Barbara	275.14	742.75
Thomas, Cody S	1,000.00	8,882.38
Thomas, Kaamilah	104.77	-
Thomas, Virginia	283.10	88.84
Tigre, Nitara R	403.85	1,626.14
Tobin, Kaitlin M	323.08	1,141.19
Tolentino, Felisha P	554.62	326.74
Towne, Amanda	99.46	-
Tran, Lynn B	1,538.46	10,013.66
Uchtman, Emma	77.97	-
Underwood, Nora	256.29	116.79
Valdez, Brenda	128.18	-
Valpuesta, Julio C	692.31	84.29
Vincent, Jill V	120.89	-
Waiz, Lauren	346.15	1,244.12
Wasserman, Samuel B	365.38	(41.65)
Webb, Sarah Kate	807.69	813.14
Wickliffe, Roxie	212.97	126.85
Wilkinson, Sarah	1,923.08	4,743.03
Williams, Rebecca	188.57	54.30
Williams, Suzanne C	330.00	475.94
Wilson, Madisyn	346.23	115.10
Wong, Samantha C.	538.46	1,742.52
Yoshimoto, Alexa T	423.08	1,515.56
Young, Neil	350.00	1,972.16
Yu, Lauren L	526.92	413.17
Yun, Steve Y	669.23	516.81
Zacharowitz, Elli R	500.00	1,021.75

Payroll Name	Accrued Payroll	Accrued PTO
Total	80,035.61	329,420.84

EXHIBIT C

LIST OF BANK ACCOUNTS

ROBINS KAPLAN LLP
ATTORNEYS AT LAW
LOS ANGELES

BANK	LAST 4 DIGITS OF ACCOUNT NUMBER	ACCOUNT TYPE	DESCRIPTION
Square 1	7741	Business Checking	Main Operating Account. Amounts from all other accounts are deposited into this account. Payment of expenses and other disbursements made from this account.
Square 1	3285	Business Checking	In-store credit card payments deposited into this account.
Square 1	4933	Money Market	Security for lease of Corporate Headquarters
Square 1	2152	Money Market	Security for lease of Santa Monica Store
Square 1	5036	Money Market	Security for lease of Melrose Store
Bank of America	9960	Checking – Depository Sweep	Santa Monica Store Account. All cash sales from Santa Monica store deposited into this account.
Bank of America	9973	Depository Sweep	Melrose Store Account. All cash sales from Melrose store deposited into this account.
Bank of America	0473	Checking-Small Business	Primary BofA Account. Amounts from Santa Monica Store Account and Melrose Store Account deposited into this Account.

EXHIBIT D

CURRENT CASH MANAGEMENT SYSTEM AND CASH FLOW

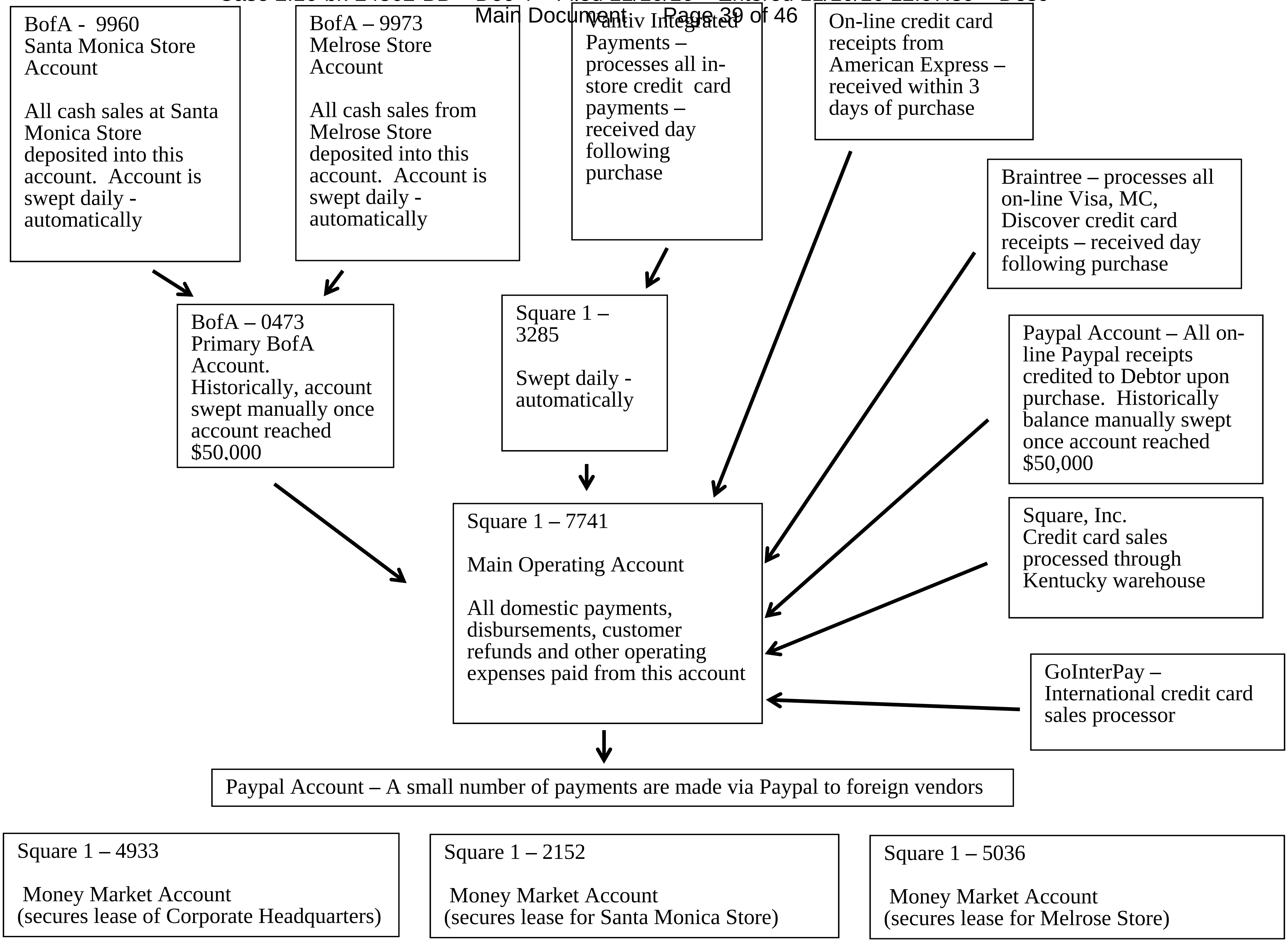
BofA - 9960
Santa Monica Store Account
All cash sales at Santa Monica Store deposited into this account. Account is swept daily - automatically
BofA – 9973
Melrose Store Account
All cash sales from Melrose Store deposited into this account. Account is swept daily - automatically
Vantiv Integrated Payments – processes all in-store credit card payments – received day following purchase
On-line credit card receipts from American Express – received within 3 days of purchase
Braintree – processes all on-line Visa, MC, Discover credit card receipts – received day following purchase
BofA – 0473
Primary BofA Account.
Historically, account swept manually once account reached $50,000
Square 1 – 3285
Swept daily - automatically
Paypal Account – All on-line Paypal receipts credited to Debtor upon purchase. Historically balance manually swept once account reached $50,000
Square 1 – 7741
Main Operating Account
All domestic payments, disbursements, customer refunds and other operating expenses paid from this account
Square, Inc.
Credit card sales processed through Kentucky warehouse
GoInterPay –
International credit card sales processor
Paypal Account – A small number of payments are made via Paypal to foreign vendors
Square 1 – 4933
Money Market Account
(secures lease of Corporate Headquarters)
Square 1 – 2152
Money Market Account
(secures lease for Santa Monica Store)
Square 1 – 5036
Money Market Account
(secures lease for Melrose Store)

EXHIBIT E

PROPOSED CASH MANAGEMENT SYSTEM AND CASH FLOW

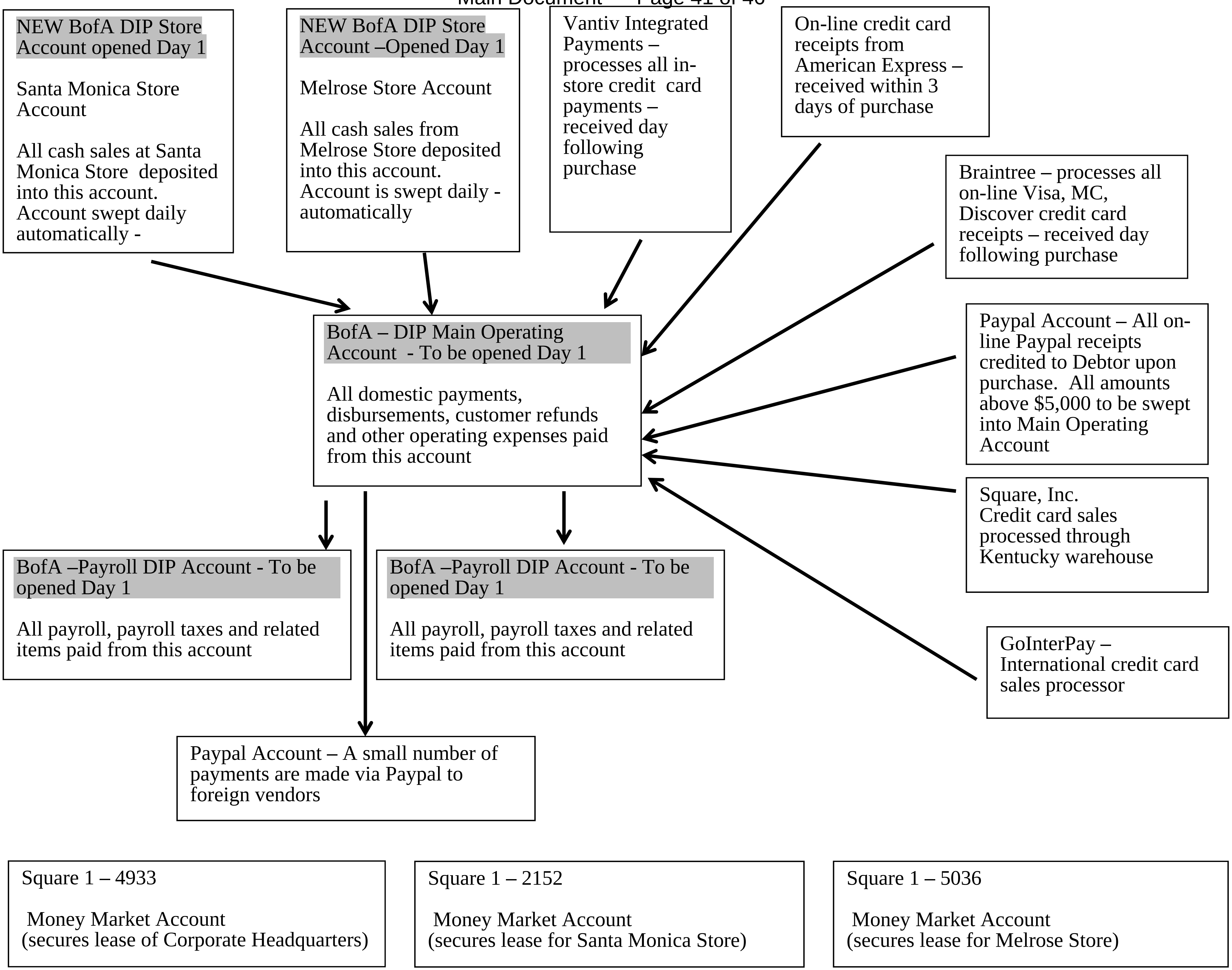
NEW BofA DIP Store Account opened Day 1
Santa Monica Store Account
All cash sales at Santa Monica Store deposited into this account. Account swept daily automatically -
NEW BofA DIP Store Account –Opened Day 1
Melrose Store Account
All cash sales from Melrose Store deposited into this account. Account is swept daily - automatically
Vantiv Integrated Payments – processes all in-store credit card payments – received day following purchase
On-line credit card receipts from American Express – received within 3 days of purchase
Braintree – processes all on-line Visa, MC, Discover credit card receipts – received day following purchase
BofA – DIP Main Operating Account - To be opened Day 1
All domestic payments, disbursements, customer refunds and other operating expenses paid from this account
Paypal Account – All on-line Paypal receipts credited to Debtor upon purchase. All amounts above $5,000 to be swept into Main Operating Account
Square, Inc.
Credit card sales processed through Kentucky warehouse
BofA –Payroll DIP Account - To be opened Day 1
All payroll, payroll taxes and related items paid from this account
BofA –Payroll DIP Account - To be opened Day 1
All payroll, payroll taxes and related items paid from this account
GoInterPay – International credit card sales processor
Paypal Account – A small number of payments are made via Paypal to foreign vendors
Square 1 – 4933
Money Market Account
(secures lease of Corporate Headquarters)
Square 1 – 2152
Money Market Account
(secures lease for Santa Monica Store)
Square 1 – 5036
Money Market Account
(secures lease for Melrose Store)

Exhibit F

List of KERP Employees and Proposed Payments

Dept	Function	First Name	Last Name	Ann. Salary	KERP Bonus %			Proposed Bonus $	Description of Position
Product / On-line Marketing	Marketing Coordinator (coding)	Alexa	Yoshimoto	$55,000.00	3.7500%			$5,000.00	Maintain web sales
Studio / Creative	Director Ecomm operations	Brett	Spencer	$150,000.00	15.0000%			$22,500.00	Maintain studio operations
Product / Dn-line Marketing	Sr. Manager Ecomm Tech	Cody	Thomas	$130,000.00	11.2500%			$14,625.00	Maintain web sales
Site Merchandising	Director Ecomm operations	Courtney	Stone	$110,000.00	11.2500%			$12,375.00	Manage site operations
Product / Dn-line Marketing	Manager Acquisition / Retention	Darin	Hardy	$135,000.00	15.0000%			$20,250.00	Maintain web sales
Studio / Creative	Graphic Designer	Elli	Zacharowitz	$65,000.00	7.5000%			$5,000.00	Maintain studio operations
Studio / Creative	Photographer	Felicia	Tolentino	$72,100.00	3.7500%			$5,000.00	Maintain studio operations
Merchandising	GMM	Jane	Mangan	$300,000.00	30.0000%			$90,000.00	Manage merchandising flow and vendors
Fulfillment Center	VP Supply Chain	Jeff	Sgro	$200,000.00	22.5000%			$45,000.00	Inventory control and order fulfillment
Dperations/Planning	SVP Operations	Joe	Sansone	$350,000.00	30.0000%			$105,000.00	Inventory control, flow, and planning
Product / On-line Marketing	Developer / Mobile	Justin	Mortensen	$120,000.00	7.5000%			$9,000.00	Maintain web sales
Studio / Creative	Post production lead	Katie	Kempster	$55,000.00	3.7500%			$5,000.00	Maintain studio operations
Human Resources	SVP HR	Kim	Hunt	$274,300.00	22.5000%			$61,717.50	Manage personnel transitions
Studio / Creative	Stylist	Liza	Dvakimyan	$60,000.00	3.7500%			$5,000.00	Maintain studio operations
Merchandising	DMM - Apparel	Lynn	Tran	$200,000.00	22.5000%			$45,000.00	Manage merchandising flow and vendors
Finance / Legal	VP Controller	Mark	Bense	$200,000.00	22.5000%			$45,000.00	Financial control and reporting
Finance / Legal	Accountant	Nicole	Brown	$83,000.00	7.5000%			$6,225.00	Financial control and reporting
Merchandising	Merchandising assistant	Nika	Levinson	$35,360.00	3.7500%			$5,000.00	Manage merchandising flow and vendors
Technology	Senior programmer	Pradeep	Kumar	$110,000.00	15.0000%			$16,500.00	Data flow and reporting
Finance / Legal	General Counsel	Rich	Morris	$223,000.00	15.0000%			$33,450.00	Legal and administration
Merchandising	DMM - Non apparel	Shari	Roulin	$175,000.00	15.0000%			$26,250.00	Manage merchandising flow and vendors
Studio / Creative	Junior Copywriter	Sophie	Pawlowski	$40,000.00	3.7500%			$5,000.00	Maintain studio operations
Technology	Business analyst	Steve	Yun	$87,000.00	7.5000%			$6,525.00	Data flow and reporting
Technology	Head of Web Operations	Royce	Hsu	$125,000.00	11.2500%			$14,062.50	Operations and security
Technology	Software Engineer	Sophia	Parker	$95,000.00	7.5000%			$7,125.00	Maintain web sales
Merchandising	Senior Planner	Sam	Han	$100,000.00	7.5000%			$7,500.00	Manage merchandising flow and vendors
	Totals	26		$3,549,760.00				$623,105.00	

Notes

(1) Guiding principles: Maintain sales through an auction process over a period up to, say, 4 months. Comply with all reporting and administrative requirements of Ch.11

(2) Retention bonus is to pay select employees 75% of their target bonus amount subject to a floor of $5,000.

Exhibit G

Proposed Utility Deposits By Location

ROBINS KAPLAN LLP
ATTORNEYS AT LAW
LOS ANGELES

1254 Third Street Promenade (Santa Monica Store)

#	Name of Co.	Account No.	Avg. one-half bill (past 12 months)	Current Deposit	Proposed Deposit
1	City of Santa Monica (Water & Sewer)	xxx82-09	$150.00	$300.00	0
2	Southern California Edison (Electric)	x-xx-xxx-9402	$1,200.00	$6,000.00	0
3	Frontier Communications (Phone)	xxx-xxx-xxxx-xxx215-5	$155.00	0	$155.00

8115 Melrose Avenue (Los Angeles Store)

#	Name of Co.	Account No.	Avg. one-half bill (past 12 months)	Current Deposit	Proposed Deposit
1	Athens Services (Waste Collection & Recycling)	xxxxx0808	$20.00	0	$20.00
2	Los Angeles Department of Water & Power (Electric)	xxx xxx 7288	$550.00	0	$550.00
3	Los Angeles Department of Water & Power (Water & Sewer)	xxx xxx 6111	$36.00	0	$36.00
4	AT&T (Phone)	xxx xxx-xxxx 203 2	$103.00	0	$103.00
5	AT&T (Internet Service)	xxxxxx144-0	$70.00	0	$70.00

700 Omega Parkway (KY Fulfillment Center)

#	Name of Co.	Account No.	Avg. one-half bill (past 12 months)	Current Deposit	Proposed Deposit
1	Salt River Electric	xxxxx0001	$7,720.00	$31,024.34	0
2	Louisville Water Company	xxxxxx9102	$274.00	0	$274.00
3	LG&E (Gas)	xxxx-xxxx-0680	$120.00	$3,941.90	0
4	Rumpke of Kentucky Inc. (Waste & Recycling)	xxxxxx2001	$890.00	0	$890.00
5	Windstream (Phone/Internet/Cloud Services)	xxxxx1905	$3,025.00	0	$3,025.00

TOTAL DEPOSITS: $5,123.00