

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

In re:)	Chapter 11
)	
UBI Liquidating Corp., et al.,¹)	Case No. 10-13005 (KJC)
)	
Debtors.)	Jointly Administered
)	
)	Re: Docket No. 1354
)	

**DECLARATION OF STEPHEN FELDMAN IN SUPPORT OF JOINT MOTION OF
THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS
PURSUANT TO SECTION 105(a) OF THE BANKRUPTCY CODE AND BANKRUPTCY
RULE 9019 FOR AN ORDER AUTHORIZING AND APPROVING THE SETTLEMENT
AGREEMENT AMONG THE DEBTORS, THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS AND ASHLEY STEWART HOLDINGS, INC., NEW
ASHLEY STEWART, INC., AND AS IP HOLDINGS, INC.**

I, Stephen Feldman, hereby declare that the following is true to the best of my knowledge, information, and belief:

1. I am the Chief Restructuring Officer of UBI Liquidating Corp. and its affiliated debtors and debtors in possession (the “Debtors”).

¹ The debtors in these cases, along with the last four digits of the federal tax identification number for each of the Debtors, are UBI Liquidating Corp. (3678), 100% Girls Ltd. (4150), 100% Girls of Georgia, Inc. (4159), 100% Girls of New York, Inc. (2149), 100 Percent Girls of New Jersey, Inc. (4167), A.S. Interactive, Inc. (3472), ASL Liquidating Corp. (4541), Ashley Stewart Apparel Corporation (4049), Ashley Stewart Clothing Company, Inc. (4051), ASMCI Liquidating Corp. (4053), ASWL Liquidating Corp. (4152), ASIL 6, Inc. (3996), ASNJ 10, Inc. (4004), Carraizo Alto Apparel Corporation (4651), Church Street Retail, Inc. (5954), Kid Spot Ltd. (2585), Kidspot of Delaware, Inc. (2596), Kidspot of Illinois, Inc. (2606), Kidspot of Michigan, Inc. (2603), Kidspot of New Jersey, Inc. (2601), Kidspot of Ohio, Inc. (4705), Kidspot of Pennsylvania, Inc. (2599), Kidspot of Texas, Inc. (3809), Large Apparel of Alabama, Inc. (0624), Large Apparel of California, Inc. (2129), Large Apparel of Connecticut, Inc. (5161), Large Apparel of District of Columbia, Inc. (8613), Large Apparel of Florida, Inc. (2209), Large Apparel of Georgia, Inc. (3894), Large Apparel of Illinois, Inc. (4650), Large Apparel of Indiana, Inc. (4055), Large Apparel of Louisiana, Inc. (3790), Large Apparel of Maryland, Inc. (5158), Large Apparel of Michigan, Inc. (9420), Large Apparel of Mississippi, Inc. (5913), Large Apparel of Missouri, Inc. (2135), Large Apparel of New Jersey, Inc. (5157), Large Apparel of New York, Inc. (5956), Large Apparel of North Carolina, Inc. (8611), Large Apparel of Ohio, Inc. (3815), Large Apparel of Pennsylvania, Inc. (4057), Large Apparel of South Carolina, Inc. (2029), Large Apparel of Tennessee, Inc. (3895), Large Apparel of Texas, Inc. (3787), Large Apparel of Virginia, Inc. (2809), Large Apparel of Wisconsin, Inc. (3898), Marianne Ltd. (3940), Marianne USPR, Inc. (2193), Marianne VI, Inc. (2206), Metro Apparel of Kentucky, Inc. (7533), Metro Apparel of Massachusetts, Inc. (1367), The Essence of Body & Soul, Ltd. (4165), UACONJI Liquidating Corp. (2976), UACONYI Liquidating Corp. (4103), and UBTHC Liquidating Corp. (5909). The Debtors’ corporate offices are located at 100 Metro Way, Secaucus, New Jersey 07094.

2. On September 21, 2010 (the “Petition Date”), the Debtors commenced the above-captioned chapter 11 cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. UBI Liquidating Corp., formerly known as Urban Brands, Inc., is the direct or indirect parent company of each of the Debtors.

3. I submit this Declaration in support of the *Joint Motion of the Debtors and the Official Committee of Unsecured Creditors Pursuant to Section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9019 for an Order Authorizing and Approving the Settlement Agreement Among the Debtors, the Official Committee of Unsecured Creditors and Ashley Stewart Holdings, Inc., New Ashley Stewart, Inc., and AS IP Holdings, Inc.* (the “Motion”).²

4. As of the Petition Date, the Debtors were a leading specialty retailer of fashion-forward and inspirational apparel for plus sized urban women under the brand name of Ashley Stewart. The Debtors operated approximately 210 stores in 26 states with approximately 2,100 employees, the majority of which are minority women. The store base was reinforced by a strong online presence through AshleyStewart.com, providing both a marketing tool as well as an additional outlet for Ashley Stewart customers.

5. Despite the strength of their brand names and success at individual store locations, the Debtors began suffering from cash flow/liquidity problems in 2007, especially in their Marianne division. The Debtors’ financial difficulties continued in 2008 with the slow down in the overall economy. As part of a strategic initiative to strengthen their balance sheet and improve their liquidity by focusing exclusively on the Ashley Stewart brand, in February 2008, the Debtors began divesting themselves of all of their Marianne stores. Although the

² Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Motion.

Debtors significantly reduced their net losses from approximately \$44.3 million in 2008 to \$28.6 million in 2009, the business continued to operate at a loss. Additionally, from fiscal year 2008 to fiscal year 2009, the Debtors net sales decreased from \$179.6 million to \$174.6 million.

6. Following exhaustive efforts to locate additional capital, the Debtors determined that there was insufficient interest in the market for this additional financing and, as a result, the Debtors' best alternative to preserve the Debtors' business as a going concern and maximize the value of their assets was to pursue a sale of all or substantially all of the Debtors' assets. Accordingly, the Debtors expanded their marketing efforts to solicit interest from prospective purchasers of the Debtors and their assets as a going-concern. As a result of such efforts, on September 21, 2010, the Debtors and New Ashley Stewart, LLC, the predecessor in interest to Ashley Stewart Holdings, Inc. and an affiliate of GB Merchant Partners, LLC ("NAS"), executed an asset purchase agreement whereby NAS agreed to purchase substantially all of the Debtors' assets.

7. On October 4, 2010, the Court entered an order [Docket No. 143] approving bidding procedures (the "Bidding Procedures") with respect to the sale of the Debtors' assets. In accordance with the Bidding Procedures, the Debtors received multiple competing bids for their assets and an auction (the "Auction") was held on October 25-26, 2010. Upon conclusion of the Auction, NAS was determined to be the Successful Bidder (as defined in the Bidding Procedures) for the Debtors' assets. On October 27, 2010, the Court entered an order [Docket No. 434] approving the sale of the Debtors' assets to NAS pursuant to an asset purchase agreement between the Debtors and NAS, dated as of October 27, 2011 (the "Asset Purchase Agreement"). New Ashley Stewart, Inc. and AS IP Holdings, Inc. were designated as "Buyer

Designees” as such term is used and defined in the Asset Purchase Agreement. The sale closed on October 29, 2010.

8. The Asset Purchase Agreement contemplated that, following the Closing Date, the Debtors and NAS would conduct a post-closing purchase price adjustment based on the difference between the estimated and actual value of inventory, amounts of cash in the stores, and amounts of credit card receivables. In addition, the Asset Purchase Agreement provided for the assumption by NAS of certain prepetition claims and certain liabilities and obligations arising after the Closing Date. As the Parties began the process of conducting the purchase price adjustment and the reconciliation and allocation of the assumed and excluded liabilities and obligations pursuant to the Asset Purchase Agreement, disputes arose between the Parties regarding the reconciliation and allocation of responsibility between the Debtors and New Ashley Stewart of these post-Closing Date obligations, including, among other things, (a) certain employee payroll and benefit claims, (b) inventory adjustments, (c) credit card accounts receivables, (d) certain tax claims, and (e) New Ashley Stewart’s asserted satisfaction of certain claim amounts set forth to the Asset Purchase Agreement. The Parties negotiated in good faith to resolve these disputes and, on August 4, 2011, entered into the Settlement Agreement to fully and finally resolve any and all Claims (as defined in the Settlement Agreement) among the Parties.

9. The significant terms of the settlement are as follows:³

³ The following summary is qualified in its entirety by reference to the provisions of the Settlement Agreement. In the event of any inconsistencies between the provisions of the Settlement Agreement and this summary, the terms of the Settlement Agreement shall control. Unless otherwise defined herein, capitalized terms shall have the meanings given to them in the Settlement Agreement.

a. Resolution of all Claims among the Parties relating to post-Closing Date obligations owing among the Debtors and New Ashley Stewart and agreement that the Debtors owe New Ashley Stewart the amount of \$644,764.00 (the “Settlement Amount”);

b. Resolution of amounts for incurred but not previously reported (IBNR) claims for patient dates of service relating to the period September 21, 2010 through and including October 28, 2010 that (i) are made by persons who are or were employees of the Selling Entities, (ii) are timely and properly submitted by October 28, 2011, and (iii) have been discharged by New Ashley Stewart;

c. Provision of Transition Services by New Ashley Stewart to the Debtors for the term beginning on January 1, 2011, and except where expressly set forth as having a longer duration in the agreement for Transition Services, ending on April 30, 2012 or such other date as may be agreed by New Ashley Stewart and the Selling Entities in writing;

d. Procedures for the resolution of 503(b)(9) Claims and the payment of such Claims upon resolution; and

e. Exchange of mutual releases of all claims among the Parties arising under or in connection with the Asset Purchase Agreement, except those obligations expressly set forth in the Settlement Agreement.

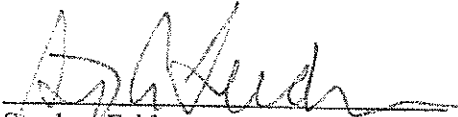
10. I believe a prompt settlement between the Parties is warranted and that the proposed settlement will maximize and expedite creditor recoveries and lower potential administrative and professional expenses. The post-Closing Date obligations between the Debtors and New Ashley Stewart involve a multitude of claims covering a broad spectrum of areas, including, but not limited to, employee payroll and benefits, vendor obligations, inventory, taxes, and utility accounts, and, in many instances, the Parties dispute the allocation of liability

for such claims among the Debtors and New Ashley Stewart. I believe that the costs associated with litigating these various issues with New Ashley Stewart would be significant and that resolving the numerous issues pursuant to the terms of the Settlement Agreement will allow the Debtors, their creditors and their estates to avoid the costs and risks attendant upon any such litigation.

11. The Debtors require the cooperation and assistance of New Ashley Stewart personnel and access to records retained by New Ashley Stewart to complete review and reconciliation of filed proofs of claim in these cases. Accordingly, I believe that a settlement of disputes and cooperation between the Parties will allow the claims reconciliation process to be completed more expediently. All parties were represented by legal and financial professionals who have considerable experience in retail bankruptcies. The disputes between the Debtors and New Ashley Stewart are extremely complex and the litigation to resolve such disputes would be time consuming and expensive, and would delay any distribution to creditors for months or years. Accordingly, I believe approval of the Settlement Agreement is in the best interests of the Debtors, their estates and creditors.

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

Executed this 6th day of September 2011.


Stephen Feldman
Chief Restructuring Officer