

**CLOSING SALES; (E) APPROVING AGENCY AGREEMENT; AND (F) EXTENDING
THE DEADLINE TO ASSUME OR REJECT UNEXPIRED LEASES OF
NONRESIDENTIAL REAL PROPERTY PURSUANT TO 11 U.S.C. § 365(d)(4)**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”), hereby request the entry of an order, pursuant to section 105 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), Rule 2002 and 9006(c)(1) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 9006-1(c) and (e) and 9013-1(m) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), (i) approving the form and manner of notice of the *Debtors’ Motion Pursuant to 11 U.S.C. §§ 105(a), 363, and 365, and Bankruptcy Rules 2002, 6004, and 6006 for (I) Entry of an Order (a) Establishing Bidding and Auction Procedures Related to the Sale of Substantially all of the Debtors’ Assets; (b) Approving Related Bid Protections; (c) Scheduling an Auction and Sale Hearing; (d) Establishing Certain Notice Procedures for Determining Cure Amounts for Executory Contracts and Leases to be Assigned; and (e) granting certain related relief; and (II) Entry of an Order (a) Approving the Sale of Substantially all of the Debtors’ Assets Free and Clear of all Liens, Claims, Encumbrances and Interests; (b) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; (c) Establishing Assumption and Rejection Procedures for Certain Additional Executory Contracts and Unexpired Leases; (d) Approving Guidelines for Conducting Store Closing Sales; (e) Approving Agency Agreement; and (f) Extending the Deadline to Assume or Reject Unexpired Leases of Nonresidential Real Property Pursuant to 11 U.S.C. § 365(d)(4)* (the “Motion”),² filed on September 22, 2010; (ii) setting a hearing to consider the Bidding Procedures Relief requested in the Motion on October 4, 2010 at 4:00 p.m. (prevailing Eastern Time) (the “October 4 Hearing”); and (iii) permitting parties to orally raise objections to the

² Capitalized terms not defined herein shall have the meaning set forth in the Motion.

Bidding Procedures Relief at the October 4 Hearing. For the reasons set forth herein, the Debtors believe that expedited consideration of the Bidding Procedures Relief requested in the Motion on shortened notice is necessary and appropriate and respectfully request that the Court enter an order shortening notice with respect to the Bidding Procedures Relief requested in the Motion and authorizing the Bidding Procedures Relief to be considered at the October 4 Hearing. In support of this motion to shorten notice (the “Motion to Shorten”), the Debtors respectfully state as follows:

Jurisdiction

1. The Court has jurisdiction over this Motion to Shorten under 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b). Venue of these proceedings and this Motion to Shorten in this district is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested herein are section 105 of Bankruptcy Code, Bankruptcy Rule 9006(c)(1), and Local Rules 9006-1(c) and (e) and 9013-1(m).

Background

3. On September 21, 2010 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief (collectively, the “Chapter 11 Cases”) under chapter 11 of the Bankruptcy Code.

4. The Debtors continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner or official committee of unsecured creditors has been appointed in the Chapter 11 Cases. A more fulsome background of the Debtors’ business and operations and the circumstances surrounding the filing of the Chapter 11 Cases is set forth in the Motion.

5. On September 22, 2010, the Debtors filed the Motion, seeking entry of an order (the “Bidding Procedures Order”) (A) establishing bidding and auction procedures (the “Bidding Procedures”) in connection with the potential sale of substantially all of the Debtors’ assets (the “Assets”), free and clear of all claims (as defined by section 101(5) of the Bankruptcy Code) and any other interests, liens, mortgages, pledges, security interests, rights of first refusal, obligations and encumbrances; (B) approving proposed bid protections, including the break-up fee set forth in the Motion to New Ashley Stewart, LLC (the “Stalking Horse Bidder”), in accordance with that certain Asset Purchase Agreement dated September 21, 2010, (the “Stalking Horse Asset Purchase Agreement”) for the purchase of the Assets; (C) scheduling an auction and setting a date and time for a sale hearing (the “Sale Hearing”) for the sale of Assets (the “Sale”), and approving the form and manner of notice thereof; (D) establishing procedures for noticing and determining cure amounts for executory contracts (“Executory Contracts”) and unexpired nonresidential real property leases (“Real Property Leases”) to be assigned; and (E) granting certain related relief (collectively, the “Bidding Procedures Relief”). By the Motion, the Debtors further request that at the Sale Hearing, subject to the results of the Auction, this Court enter a sale order (A) approving and authorizing the Sale; (B) authorizing the assumption and assignment of certain Executory Contracts and Real Property Leases; (C) establishing assumption and assignment procedures and rejection procedures; (D) establishing guidelines for conducting store closing sales; (E) approving an agency agreement between the Debtors and Gordon Brothers Retail Partners, in connection with store closing sales; and (F) extending the deadline to assume or reject Real Property Leases pursuant to section 365(d)(4) of the Bankruptcy Code (collectively, the “Sale Hearing Relief”).

6. As set forth more fully in the Motion, prior to filing the Chapter 11 Cases, the Debtors marketed the Assets and negotiated the Stalking Horse Asset Purchase Agreement with the Stalking Horse Bidder. Section 7.9 of the Stalking Horse Asset Purchase Agreement provides that the Stalking Horse Bidder may terminate the Stalking Horse Asset Purchase Agreement if the Bidding Procedures Order is not entered on or before sixteen (16) days after the Petition Date. Similarly, Section 8.6 of the Senior Secured Super-Priority Debtor-in-Possession Loan and Security Agreement (the "DIP Agreement") between Bank of America, N.A. and the Debtors who are borrowers thereunder requires the entry of the Bidding Procedures Order on or before fifteen (15) days after the Petition Date.

7. In addition, the Debtors are facing severe liquidity constraints and have exhausted their options for addressing this issue, including an attempt to raise cash through a refinancing of their prepetition credit facility, additional investment, and other strategic transactions. To date, none of these options has been successful. Given current economic market conditions, the Debtors' liquidity situation has not improved and the Debtors presently face the possibility of continued financial deterioration.

8. Subject to the Court's approval of the DIP Agreement, the Debtors have managed to obtain necessary financing to conduct the Sale process on a proposed timeline, as set forth more fully in the Motion, that provides for a Sale Hearing on October 26, 2010 and Closing immediately thereafter. If the Sale process is not conducted on this timeline, the Debtors may not have sufficient liquidity to maintain the inventory levels necessary for a going concern sale of their Assets and may be forced to liquidate. The Debtors have negotiated the DIP Agreement and a related budget that will provide funding for the Debtors' operations through the week of the proposed closing of the Sale, but not beyond. Consideration of the Bidding Procedures

Relief at the October 4 Hearing is therefore necessary to maintain an overall schedule that will allow the Sale to be approved and close while the Debtors have sufficient funding to continue operating as a going concern. Accordingly, the Debtors believe that they must be permitted to conduct the process in the manner and on the timetable set forth in the Motion and in the proposed Bidding Procedures.

Relief Requested

9. By this Motion to Shorten, the Debtors respectfully request that the Court enter an order (i) shortening notice pursuant to Bankruptcy Rules 2002(a)(2) and 9006(c)(1) and Local Rules 9006-1(c) and (e), (ii) setting the hearing with respect to the Bidding Procedures Relief requested in the Motion for October 4, 2010 at 4:00 p.m. (prevailing Eastern Time), (iii) permitting parties to raise objections, if any, to the Bidding Procedures Relief orally at the October 4 Hearing, and (iv) granting such other and further relief to the Debtors as the Court deems appropriate.

Basis for Relief

10. Local Rule 9006-1(c) requires that all motion papers shall be filed and served at least fourteen (14) days prior to a hearing date scheduled for such motion, and an additional three (3) days if notice is given by mail, unless the Bankruptcy Rules state otherwise. In addition, Bankruptcy Rule 2002(a)(2) requires twenty-one (21) days notice of a proposed use, sale, or lease of property of the estate other than in the ordinary course of business. However, Bankruptcy Rule 9006(c)(1) provides that “when an act is required or allowed to be done at or within a specified time by these rules or by a notice given thereunder or by order of court, the court for cause shown may in its discretion with or without motion or notice order the period reduced,” and Bankruptcy Rule 2002(a)(2) provides that the court may shorten the twenty-one (21) days notice required for a use, sale or lease of property of the estate other than in the

ordinary course of business for cause shown. See also Local Rule 9006-1(e) (stating that “[n]o motion will be scheduled on less notice than required by these Local Rules or the Fed. R. Bankr. P. except by order of the Court, on written motion . . . specifying the exigencies justifying shortened notice.”). Furthermore, Local Rule 9013-1(m)(ii) states that relief “of a genuinely emergent nature required to preserve the assets of the estate” may be heard on an expedited basis.

11. The Debtors respectfully submit that allowing the Bidding Procedures Relief requested in the Motion to be considered on an expedited basis at the October 4 Hearing is reasonable and appropriate under the circumstances.

12. As more fully set forth in the Motion, an expedited sale of the Assets is the best way to preserve and maintain the value of the Assets for creditors and avoid a diminution of that value. Accordingly, it is critical for the Bidding Procedures Relief requested in the Motion to be heard at the October 4 Hearing so that the Debtors are able to comply with the requirements of the Stalking Horse Asset Purchase Agreement and the DIP Agreement and continue the Sale process on a timeline that will allow a successful going concern sale and maximize value for the estates. By the Motion, the Debtors are requesting that the Court schedule a subsequent Sale Hearing on the Sale Relief requested in the Motion on or before October 26, 2010, which will provide sufficient notice of the Sale Hearing Relief.

13. Additionally, the Debtors hereby request that the Court permit parties to raise objections to the Bidding Procedures Relief requested in the Motion, if any, orally at the October 4 Hearing.. The Debtors believe that allowing parties to object to the Bidding Procedures Relief orally at the hearing is appropriate under the circumstances.

Notice

14. No trustee, examiner or Committee has been appointed in the Chapter 11 Cases. The Debtors served a copy of the Motion to Shorten by first class mail upon: (a) the United States Trustee for the District of Delaware; (b) counsel to the Lender; (c) counsel for the indenture trustee for the Notes; (d) the creditors listed on the Debtors' consolidated list of 20 largest unsecured creditors, as filed with the chapter 11 petitions; (e) counsel to the Stalking Horse Bidder; and (f) all parties requesting notice pursuant to Bankruptcy Rule 2002. Due to the urgency of the circumstances surrounding this Motion to Shorten and the nature of the relief requested herein, the Debtors respectfully submit that no further notice of this Motion to Shorten is required.

No Prior Request

15. No prior motion for the relief requested herein has been made to this or any other court.

WHEREFORE, the Debtors respectfully request the entry of an order, substantially in the form attached hereto as Exhibit 1, (i) approving the shortened notice and objection periods requested herein, (ii) granting the Debtors' request to schedule an expedited hearing to consider the Bidding Procedures Relief requested in the Motion for October 4, 2010 at 4:00 p.m. (prevailing Eastern Time); (iii) permitting parties to raise objections, if any, to the Bidding Procedures Relief orally at the October 4 Hearing; and (vi) granting the Debtors such other and further relief as may be just and proper.

Dated: September 22, 2010
Wilmington, Delaware



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