

TOGUT, SEGAL & SEGAL LLP
One Penn Plaza
Suite 3335
New York, New York 10119
(212) 594-5000
Albert Togut
Frank A. Oswald
Brian F. Moore
Lara R. Sheikh

Proposed Counsel to the
Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X		
In re:	:	Chapter 11
	:	
LOEHMANN'S HOLDINGS, INC., <i>et al.</i> , ¹	:	Case No.
	:	
Debtors.	:	(Jointly Administered)
	:	
-----X		

**DEBTORS' JOINT PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

¹ The Debtors in these chapter 11 cases, along with the last four digits of each U.S. Debtors' Federal tax identification number, are: Loehmann's Holdings, Inc., (9380), Loehmann's, Inc. (1356), Loehmann's Real Estate Holdings, Inc. (6682), Loehmann's Operating Co. (6681) and Loehmann's Capital Corp. (2694).

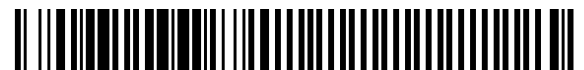


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Loehmann's Holdings, Inc. and the other Debtors in the above-captioned chapter 11 cases propose the following joint plan of reorganization for the resolution of outstanding creditor claims against, and equity interests in, the Debtors pursuant to title 11 of the United States Code, 11 U.S.C. §§ 101-1532. Capitalized terms used in the Plan and not otherwise defined have the meanings ascribed to such terms in Article I.B of the Plan.

Reference is made to the Disclosure Statement, Filed contemporaneously with the Plan, for a discussion of the Debtors' history, businesses, assets, results of operations, and projections of future operations, as well as a summary and description of the Plan and certain related matters. The Debtors are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

**ARTICLE I.
DEFINED TERMS AND RULES OF INTERPRETATION**

A. Rules of Interpretation

1. For purposes of the Plan, unless otherwise provided herein:

(a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural;

(b) any reference in the Plan to an existing document or schedule Filed or to be Filed means such document or schedule, as it may have been or may be amended, modified or supplemented pursuant to the Plan;

(c) any reference to an Entity as a Holder of a Claim or Equity Interest includes that Entity's successors and assigns;

(d) all references in the Plan to Sections and Articles are references to Sections and Articles of or to the Plan;

(e) the words "herein," "hereunder," "hereof" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan;

(f) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan;

(g) subject to the provisions of any contract, certificates of incorporation, by-laws, instrument, release or other agreement or document entered into in connection with the Plan, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and the Bankruptcy Rules;

(h) the rules of construction set forth in section 102 of the Bankruptcy Code will apply to the Plan; and

(i) in computing any period of time prescribed or allowed by the Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

B. Defined Terms

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. "Accept" or "Accepted" means, with respect to the acceptance of the Plan by a Class of Claims, votes to accept the Plan (or deemed acceptance of the Plan pursuant to an order of the Bankruptcy Court or the applicable provisions of the Bankruptcy Code) by the requisite number and principal amount of Allowed Claims in such Class as set forth in section 1126(c) of the Bankruptcy Code.

2. “*Accrued Professional Compensation*” means, at any date, all accrued fees and reimbursable expenses (including success fees) for services rendered by all Retained Professionals in the Chapter 11 Cases through and including such date, to the extent that such fees and expenses have not been previously paid and regardless of whether a fee application has been Filed for such fees and expenses. To the extent that there is a Final Order denying some or all of a Retained Professional’s fees or expenses, such denied amounts shall no longer be considered Accrued Professional Compensation.

3. “*Administrative Claim*” means any Claim for costs and expenses of administration of the Chapter 11 Case that is Allowed under section 503(b), 507(b), or 1114(e)(2) of the Bankruptcy Code, including, without limitation: (a) any actual and necessary costs and expenses incurred on or after the Petition Date of preserving the Debtors’ Estates and operating the businesses of the Debtors prior to the Effective Date; (b) compensation for legal, financial, advisory, accounting, and other services and reimbursement of expenses Allowed by the Bankruptcy Court under section 327, 330, 331, 363, or 503(b) of the Bankruptcy Code to the extent incurred prior to the Effective Date; (c) the Commitment Fee and the Backstop Party Indemnification Obligations and (d) all fees and expenses of the professionals and advisors required to be paid by the Debtors under the Restructuring Support Agreement and the Commitment Letter, including without limitation, the fees and expenses of the Backstop Party Professionals.

4. “*Administrative Claims Bar Date*” means the deadline for filing an Administrative Claim (other than an Administrative Claim for the fees and expenses of the professionals and advisors required to be paid by the Debtors under the Commitment Letter, including without limitation, the Commitment Fee, if any), which Claims must be filed so as to be actually received on or before 5:00 p.m. prevailing Eastern Time on the date that is 30 calendar days after notice of the Effective Date, unless otherwise ordered by the Bankruptcy Court.

5. “*Affiliate*” has the meaning set forth in section 101(2) of the Bankruptcy Code and shall include, without limitation (i) any fund or managed account client in respect of which such Person acts as investment manager and (ii) any fund or managed account client with the same investment manager (or an investment manager that is an Affiliate of such investment manager) of such Person.

6. “*Allowed*” means with respect to Claims: (a) any Claim, proof of which is timely Filed by the applicable Claims Bar Date (or that by the Bankruptcy Code or Final Order is not or shall not be required to be Filed); (b) any Claim that is listed in the Schedules as of the Effective Date as not disputed, not contingent, and not unliquidated, and for which no Proof of Claim has been timely Filed; or (c) any Claim allowed pursuant to the Plan or a Final Order of the Bankruptcy Court; provided, however, that with respect to any Claim described in clauses (a) or (b) above, such Claim shall be considered Allowed only if and to the extent that with respect to any such Claim no objection to the allowance thereof has been interposed within the applicable period of time fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court or such an objection is so interposed and the Claim shall have been Allowed by a Final Order; provided, further, however, that the Claims described in clauses (a), (b) and (c) above shall not include any Claim on account of a right,

option, warrant, right to convert other right to purchase an Equity Interest. Except as otherwise specified in the Plan or an order of the Bankruptcy Court or with respect to Priority Tax Claims, the amount of an Allowed Claim shall not include interest on such Claim from and after the Petition Date. Any Claim that has been or is hereafter listed in the Schedules as disputed, contingent, or unliquidated, and for which no Proof of Claim has been timely Filed, is not considered Allowed and shall be expunged without further action and without any further notice to or action, order, or approval of the Bankruptcy Court. For the avoidance of doubt, the Secured Note Claims shall be deemed Allowed in the amounts of the Class A Notes Claims and the Class B Notes Claims, respectively, and the Prepetition Credit Agreement Secured Claims shall be deemed Allowed in the amount of the Prepetition Credit Agreement Secured Claims.

7. *“Amended and Restated Bylaws”* means the bylaws of Reorganized Loehmann’s Holdings, Inc. substantially in the form of those attached to the Plan Supplement.

8. *“Amended and Restated Certificate of Incorporation”* means the certificate of incorporation of Reorganized Loehmann’s Holdings, Inc. substantially in the form of that attached to the Plan Supplement.

9. *“Approval Order”* the Order entered by the Bankruptcy Court approving and authorizing (i) the assumption by the Debtors pursuant to section 365 of the Bankruptcy Code of the Commitment Letter (ii) the Debtors’ entry into the Restructuring Support Agreement and (iii) the transactions contemplated in the Commitment Letter, including the payment of the Commitment Fee and certain expense reimbursements and performance of the Backstop Party Indemnification Obligations.

10. *“Assumed Executory Contract and Unexpired Lease Schedule”* means the list of Executory Contracts and Unexpired Leases to be assumed by the Debtors pursuant to the provisions of Article V hereof.

11. *“Avoidance Actions”* means any and all actual or potential claims or causes of action to avoid a transfer of property or an obligation incurred by the Debtors pursuant to sections 542 to 553 of the Bankruptcy Code.

12. *“Backstop Commitment”* has the meaning ascribed to such term in the Commitment Letter.

13. *“Backstop Parties”* means Istithmar and Whippoorwill.

14. *“Backstop Party Indemnification Obligations”* means the indemnification obligations set forth in Section 8 of the Commitment Letter.

15. *“Backstop Party Professionals”* means Gibson Dunn & Crutcher, LLP in its capacity as counsel to Whippoorwill, Cleary Gottlieb Steen & Hamilton, LLP in its capacity as counsel to Istithmar and Conway del Genio Gries & Co., LLC in its capacity as financial advisor to Whippoorwill.

16. *“Ballot”* means the ballots accompanying the Disclosure Statement upon which certain Holders of Impaired Claims entitled to vote shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the Plan and the procedures governing the solicitation process.

17. *“Bankruptcy Code”* means title 11 of the United States Code, 11 U.S.C. §§ 101-1532.

18. *“Bankruptcy Court”* means the United States Bankruptcy Court for the Southern District of New York having jurisdiction over the Chapter 11 Cases.

19. *“Bankruptcy Rules”* means the Federal Rules of Bankruptcy Procedure as promulgated by the United States Supreme Court under section 2075 of title 28 of the United States Code, 28 U.S.C. § 2075, as applicable to the Chapter 11 Cases, and the general local and chambers rules of the Bankruptcy Court.

20. *“Business Day”* means any day, other than a Saturday, Sunday or “legal holiday” (as that term is defined in Bankruptcy Rule 9006(a)).

21. *“CapCo”* means Loehmann’s Capital Corp., a special purpose corporation formed for the sole purpose of issuing the Notes. CapCo is a Debtor.

22. *“CapCo Lease”* means that certain Lease and License Financing and Purchase Option Agreement (as the same may be amended, restated, supplemented or otherwise modified from time to time), dated as of October 13, 2004, between CapCo, as Lessor, and Loehmann’s Operating Co., as Lessee.

23. *“Cash”* means legal tender of the United States of America.

24. *“Causes of Action”* means, without limitation, any and all Claims, causes of action, demands, rights, actions, suits, damages, injuries, remedies, obligations, liabilities, accounts, defenses, offsets, powers, privileges, licenses and franchises of any kind or character whatsoever, known, unknown, accrued or to accrue, contingent or non-contingent, matured or unmatured, suspected or unsuspected, foreseen or unforeseen, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity, or under any other theory of law, whether asserted or assertable directly or derivatively in law or equity or otherwise by way of claim, counterclaim, cross-claim, third party action, action for indemnity or contribution or otherwise, including, without limitation, all Debtor Causes of Action and all Avoidance Actions.

25. *“Certificate”* means any instrument evidencing a Claim or an Interest.

26. *“Chapter 11 Cases”* means (a) when used with reference to a particular Debtor, the chapter 11 case Filed for that Debtor under chapter 11 of the Bankruptcy Code in the Bankruptcy Court and (b) when used with reference to all Debtors, the jointly administered chapter 11 cases for all of the Debtors.

27. “*Claim*” means any claim against a Debtor as defined in section 101(5) of the Bankruptcy Code.
28. “*Claims Bar Date*” means, as applicable, (a) [_____] at 5:00 p.m. prevailing Eastern Time or (b) such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court for Filing such Claim.
29. “*Claims Register*” means the official register of Claims (other than Secured Note Claims) and Interests maintained by the Notice, Claims and Solicitation Agent.
30. “*Class*” means a category of holders of Claims or Equity Interests as set forth in Article III hereof pursuant to section 1122(a) of the Bankruptcy Code.
31. “*Class A Fixed Rate Notes*” means the 12% series “A” senior secured class “A” notes due October 1, 2011 issued pursuant to the Indenture.
32. “*Class A Floating Rate Notes*” means the series “A” senior secured class “A” floating rate notes due October 1, 2011 issued pursuant to the Indenture.
33. “*Class A Notes*” means the Class A Fixed Rate Notes and/or the Class A Floating Rate Notes.
34. “*Class A Notes Claims*” means Claims, Liens, rights or interests of holders of Class A Notes arising under, related to, or in connection with, the Class A Notes, the Indenture and/or the Related Agreements.
35. “*Class A Rights*” means the right of each Eligible Holder to purchase New Convertible Preferred Stock up to its *Pro Rata* share of the Class A Notes Claims pursuant to the Rights Offering, provided however, that such rights shall only be exercisable by an Eligible Holder that votes to accept the Plan.
36. “*Class A Notes Claims Distribution*” means the distribution to the Holders of Class A Notes Claims consisting of shares of New Common Stock representing (a) in the event Class 4 (Class B Notes Claims) votes to Accept the Plan, 83.2% of the total outstanding New Common Stock on the Effective Date and (b) in the event Class 4 (Class B Notes Claims) does not vote to Accept the Plan, 100% of the total outstanding New Common Stock on the Effective Date, in each case prior to dilution resulting from any conversion of the New Preferred Stock to New Common Stock and any New Common Stock issued pursuant to the Management Incentive Plan.
37. “*Class B Notes*” means the 13% series “A” senior secured class “B” notes due October 1, 2011 issued pursuant to the Indenture.
38. “*Class B Notes Claims*” means any Claims, Liens, rights or interests of holders of Class B Notes arising under, related to, or in connection with, the Class B Notes, the Indenture and/or the Related Agreements.
39. “*Class B Notes Claims Distribution*” means, provided that Class 4 (Class B Notes Claims) votes to Accept the Plan, the distribution to the Holders of Class

B Notes, which shall be funded solely from the distributions otherwise payable, or otherwise directly or indirectly available, under the Plan to Holders of Allowed Class A Notes Claims, consisting of 16.8% of the New Common Stock on the Effective Date prior to dilution resulting from any conversion of the New Preferred Stock to New Common Stock and any New Common Stock issued pursuant to the Management Incentive Plan. For the avoidance of doubt, if Class 4 (Class B Notes Claims) does not vote to Accept the Plan, Class 4 shall receive no distribution under the Plan.

40. *“Commitment Fee”* means that certain commitment fee payable to the Backstop Parties pursuant to the terms and conditions of the Commitment Letter and the Commitment Order.

41. *“Commitment Fee Preferred Stock”* means 94,382 shares of convertible preferred stock issued by Reorganized Loehmann’s Holdings convertible into 1.9% of New Common Stock on a fully diluted basis (excluding any shares to be issued under the Management Incentive Plan), which shall be issued to the Backstop Parties on account of the Commitment Fee without prejudice to Whippoorwill’s rights to receive its portion of the Commitment Fee in Cash in accordance with the terms and conditions of the Commitment Letter. The Commitment Fee Preferred Stock shall pay a cumulative Cash dividend at the rate of 2% per annum. The Commitment Fee Preferred Stock shall be subject to the New Shareholders’ Agreement.

42. *“Commitment Letter”* means that certain Amended and Restated Commitment Letter, dated as of November 14, 2010 and amended and restated on December 1, 2010 among the Debtors and the Backstop Parties, as further amended from time to time in accordance with the terms thereof, pursuant to which the Backstop Parties agreed, severally and not jointly, to purchase (or cause one or more of its designated Affiliates to purchase) on the Effective Date, any Unsubscribed Shares, subject to the terms and conditions set forth therein.

43. *“Committee”* means the official committee of unsecured creditors of the Debtors appointed by the United States Trustee in the Chapter 11 Cases on November 23, 2010, pursuant to section 1102 of the Bankruptcy Code.

44. *“Compensation and Benefit Claims”* means any and all Claims arising on account of, or relating to, the Compensation and Benefits Programs assumed pursuant to Article V.G hereof.

45. *“Compensation and Benefits Programs”* means all employment and severance agreements and policies, and all compensation and benefit plans, policies, and programs of the Debtors, and all amendments and modifications thereto, applicable to the Debtors’ employees, former employees, retirees and non-employee directors and the employees, former employees and retirees of their subsidiaries, including, without limitation, all savings plans, retirement plans, health care plans, disability plans, severance benefit agreements and plans, incentive plans, deferred compensation plans and life, accidental death and dismemberment insurance plans, including the Employee-Related Programs and the Employment Agreements, in each case solely to the extent that such policies have been identified and described in the Plan Supplement.

46. *"Confirmation"* means the entry of the Confirmation Order by the Bankruptcy Court on the docket of the Chapter 11 Cases.

47. *"Confirmation Date"* means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases.

48. *"Confirmation Hearing"* means the hearing conducted by the Bankruptcy Court pursuant to section 1128(a) of the Bankruptcy Code to consider confirmation of the Plan, as such hearing may be adjourned or continued from time to time.

49. *"Confirmation Order"* means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, which shall be in form and substance acceptable to each Backstop Party in its sole discretion and consistent in all respects with the Commitment Letter and the Restructuring Support Agreement.

50. *"Covenant Compliance and Indemnity Agreement"* means the covenant compliance and indemnity agreement dated October 13, 2004 (as amended, supplemented or otherwise modified from time to time), among CapCo and each of Loehmann's Holdings, Inc., Loehmann's Inc., Loehmann's Real Estate Holdings Inc., and Loehmann's Operating Co.

51. *"Cure"* means the payment of Cash by the applicable Debtors, or the distribution of other property (as the applicable Debtors and the counterparty to the Executory Contract or Unexpired Lease may agree or the Bankruptcy Court may order), as necessary to (a) cure a monetary default by the Debtors in accordance with the terms of an Executory Contract or Unexpired Lease of the Debtors and (b) permit the Debtors to assume such Executory Contract or Unexpired Lease under sections 365 and 1123 of the Bankruptcy Code.

52. *"Debtor"* means one of the Debtors, in its individual capacity as a debtor and debtor-in-possession in the Chapter 11 Cases.

53. *"Debtor Causes of Action"* means all claims, actions, causes of action, chooses in action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, remedies, rights of set-off, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims, and crossclaims (including, but not limited to, all claims and any avoidance, recovery, subordination or other actions against insiders and/or any other entities under the Bankruptcy Code, including Avoidance Actions and all such matters set forth in Article IV.D and Article IV.R) of any of the Debtors, the Debtors-in-Possession, and/or the Estates (including, but not limited to, those actions set forth in the Plan Supplement), whether known or unknown, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, that are or may be pending on the Effective Date or instituted by the Reorganized Debtors after the Effective Date against any entity, based in law or equity, including, but not limited to, under the

Bankruptcy Code, whether direct, indirect, derivative, or otherwise and whether asserted or unasserted as of the date of entry of the Confirmation Order.

54. *"Debtor Releasees"* means (a) each of the Debtors and (b) each of the Debtors' respective Related Persons.

55. *"Debtors"* means, collectively, Loehmann's Holdings, Inc., Loehmann's, Inc., Loehmann's Real Estate Holdings, Inc., Loehmann's Operating Co. and Loehmann's Capital Corp.

56. *"Debtors-in-Possession"* means, collectively, the Debtors as debtors in possession in the Chapter 11 Cases.

57. *"DIP Agent"* means Crystal Financial LLC in its capacity as administrative agent under the DIP Facility.

58. *"DIP Facility"* means that certain Debtor in Possession Credit Agreement among Loehmann's Operating Co. as borrower, the Guarantors (as defined in the DIP Facility), any other persons designated therein as Credit Parties (as defined in the DIP Facility), the DIP Agent and the DIP Lenders, as may be amended, modified, ratified, extended, renewed, restated or replaced.

59. *"DIP Facility Claims"* means any secured Claim held by the DIP Lenders and/or the DIP Agent arising under or related to the DIP Facility and the other Loan Documents (as defined therein).

60. *"DIP Lenders"* means, collectively, the Lenders (as defined in the DIP Facility) party to the DIP Facility from time to time.

61. *"DIP Order"* means the order entered by the Bankruptcy Court on [December 6, 2010] authorizing and approving the DIP Facility.

62. *"Disclosure Statement"* means the disclosure statement for the Plan, including, without limitation, all exhibits and schedules thereto, as amended, supplemented or modified from time to time, that is prepared and distributed in accordance with sections 1125 of the Bankruptcy Code and Bankruptcy Rule 3018.

63. *"Disputed Claim"* means a Claim, or any portion thereof, that (i) has not been Scheduled by the Debtors or has been Scheduled at zero, or has been Scheduled as contingent, unliquidated, disputed or undetermined and for which no proof of claim has been timely Filed with the Bankruptcy Court, (ii) is in excess of the amount Scheduled as other than disputed, contingent or unliquidated, (iii) is the subject of an objection or request for estimation Filed in the Bankruptcy Court and which objection or request for estimation has not been withdrawn or overruled by a Final Order of the Bankruptcy Court, (iv) is a Subordinated Claim and/or (v) is otherwise disputed by the Debtors in accordance with applicable law, which dispute has not been withdrawn, resolved or overruled by Final Order.

64. *"Distribution Agent"* means (i) the Entity or Entities chosen by the Reorganized Debtors to make or to facilitate distributions pursuant to the Plan,

including the Reorganized Debtors or any Third Party Distribution Agent or (ii) the Indenture Trustee, to the extent it makes distributions to Holders of Secured Note Claims pursuant to the Plan.

65. “DTC” means Depository Trust Company.

66. “Effective Date” means the date selected by the Debtors that is at least one (1) Business Day after the entry of the Confirmation Order on which: (a) no stay of the Confirmation Order is in effect; and (b) all conditions specified in Article VIII.B have been (i) satisfied or (ii) waived pursuant to Article VIII.C; provided, that the Effective Date shall be no later than February 18, 2011 unless otherwise agreed by each of the Backstop Parties.

67. “Eligible Holder” means any Holder of a Class A Notes Claims who (i) duly certifies in accordance with the terms set forth in the subscription form accompanying the Rights Offering Procedures and the Rights Offering Procedures that such Holder is a Qualified Institutional Buyer.

68. “Employee-Related Programs” means those certain employee-related programs listed in the Plan Supplement.

69. “Entity” means an entity as defined in section 101(15) of the Bankruptcy Code.

70. “Equity Interest” means any issued, unissued, authorized or outstanding shares of common stock, preferred stock or other instrument evidencing an ownership interest in a Debtor, whether or not transferable, together with any options, warrants, equity-based awards or contractual rights to purchase or acquire such equity interests at any time and all rights arising with respect thereto that existed immediately before the Effective Date; provided, however, that Equity Interest does not include any Intercompany Interest.

71. “Estate” means, as to each Debtor, the estate created for such Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

72. “Exchange Offer” means that certain exchange offer with respect to the Senior Secured Notes that was launched pursuant to the terms of an offering memorandum issued by CapCo on September 27, 2010, which offering memorandum was supplemented on October 14, 2010, October 25, 2010, and October 28, 2010.

73. “Executory Contract” means a contract or lease to which one or more of the Debtors is a party with a counterparty other than another Debtor that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code. For the avoidance of doubt, the CapCo Lease shall not be considered an Executory Contract pursuant to the Plan

74. “Exit Facility” means the Exit Financing Agreement, which shall be satisfactory to the Debtors and each of the Backstop Parties in its sole discretion, to be executed as of the Effective Date, including any agreements, amendments, supplements or documents related thereto.

75. “*Exit Facility Agent*” means the administrative agent, or any other financial institution designated as “agent,” under the Exit Financing Agreement.

76. “*Exit Facility Lenders*” means, collectively, the lenders party to the Exit Financing Agreement from time to time.

77. “*Exit Financing Agreement*” means an agreement on account of a \$40 million senior secured credit facility to be entered into by the Reorganized Debtors on terms satisfactory to the Debtors and each of the Backstop Parties in its sole discretion.

78. “*File*,” “*Filed*” or “*Filing*” means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

79. “*Final Order*” means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal, petition for certiorari or move for reargument or rehearing has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or has been dismissed with prejudice; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules, may be Filed with respect to such order shall not preclude such order from being a Final Order.

80. “*GAAP*” means generally accepted accounting principles in the United States as in effect from time to time.

81. “*General Unsecured Claims*” means any Claim against any of the Debtors that is not Administrative Claim, Priority Tax Claim, DIP Financing Claim, Other Priority Claim, Other Secured Claim, Secured Note Claim, Secured Tax Claim, Subordinated Claim or Intercompany Claim. For the avoidance of doubt, Rejection Damage Claims are General Unsecured Claims.

82. “*General Unsecured Claims Distribution*” means, provided that, Class 5 (General Unsecured Claims) votes to accept the Plan, the distribution to Holders of Allowed General Unsecured Claims consisting of Cash in the amount of \$1.1 million, which shall be funded solely from the distributions otherwise payable, or otherwise directly or indirectly available, under the Plan to Holders of Allowed Class A Notes Claims. For the avoidance of doubt, if Class 5 (General Unsecured Claims) does not vote to Accept the Plan, Class 5 shall receive no distribution under the Plan.

83. “*General Unsecured Claims Distribution Account*” means the account established pursuant to Article IV.G of the Plan in the amount of \$1.1 million, disbursements from which shall be payable to Holders of Allowed General Unsecured Claims in Class 5 in accordance with Article III.B.5 and VII of the Plan.

84. “*Holder*” means an Entity holding a Claim or Interest.

85. “*Holdings*” means Loehmann’s Real Estate Holdings, Inc.

86. *“Impaired”* means, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests, “impaired” within the meaning of section 1124 of the Bankruptcy Code.

87. *“Indemnification”* means the indemnification provision set forth in Article IX.G.

88. *“Indemnification Obligation”* means a Debtor’s obligation under an Executory Contract, assumed in the Chapter 11 Cases, or otherwise to indemnify directors, officers, employees or agents of such Debtor who served in such capacity at any time, with respect to or based upon any act or omission taken or omitted in any of such capacities, or for or on behalf of any Debtor, pursuant to and to the maximum extent provided by the Debtor’s respective certificates of incorporation, certificates of formation, bylaws, similar corporate documents, and applicable law, as in effect as of the Effective Date.

89. *“Indenture”* means that certain Indenture governing the Notes dated as of October 12, 2004, between the CapCo, as issuer, and the Indenture Trustee, as trustee, as amended, supplemented or otherwise modified from time to time through the Petition Date.

90. *“Indenture Trustee”* means Wells Fargo Bank, National Association, or its successor.

91. *“Indenture Trustee’s Fees”* means the reasonable and documented fees, disbursements, advances and expenses (including professional fees and expenses) of the Indenture Trustee under the Indenture.

92. *“Intercompany Claims”* means, collectively, any Claim held by a Debtor against another Debtor or any Claim held by an Affiliate of a Debtor against a Debtor.

93. *“Intercompany Interest”* means an Equity Interest in a Debtor held by another Debtor or an Equity Interest in a Debtor held by an Affiliate of a Debtor. For the avoidance of doubt, an Intercompany Interest excludes any Equity Interest in Loehmann’s Holdings, Inc.

94. *“Interests”* means, collectively, Equity Interests and Intercompany Interests.

95. *“Interim Compensation Order”* means an order of the Bankruptcy Court allowing Retained Professionals to seek interim compensation in accordance with the procedures approved therein, as the same may be modified by a Bankruptcy Court order approving the retention of a specific Retained Professional or otherwise.

96. *“Istithmar”* means Istithmar Retail Investments.

97. *“Lease Guarantee”* means that certain Lease Guarantee (as the same may be amended, restated, supplemented or otherwise modified from time to time), dated as of October 13, 2004, by each of: (i) Loehmann’s Holdings, Inc., (ii) Loehmann’s,

Inc., (iii) Loehmann's Real Estate Holdings, Inc., (iv) Loehmann's Operating Co., (v) and any other subsidiary of Loehmann's Holdings, Inc., in favor of CapCo.

98. *"Lease Security Agreement"* shall mean the Lease Security Agreement, dated as of October 13, 2004 (as amended, supplemented or otherwise modified from time to time), among CapCo, Loehmann's Holdings, Inc., Loehmann's Inc., Loehmann's Real Estate Holdings, Inc., and Loehmann's Operating Co.

99. *"Lien"* means a lien as defined in section 101(37) of the Bankruptcy Code.

100. *"Local Bankruptcy Rules"* means the Local Bankruptcy Rules for the Southern District of New York.

101. *"Management Incentive Plan"* means any post-Effective Date management equity incentive plan to be approved by the New Board.

102. *"Moody's"* means Moody's Investors Service, Inc.

103. *"New Board"* means the board of directors of Reorganized Loehmann's Holdings, Inc.

104. *"New Common Stock"* means newly-issued shares of common stock of Reorganized Loehmann's Holdings, Inc. The New Common Stock shall be subject to the New Shareholders' Agreement.

105. *"New Convertible Preferred Stock"* means 2,359,560 shares of convertible preferred equity issued by Reorganized Loehmann's Holdings, Inc. and convertible into 47.2% of New Common Stock (excluding any shares to be issued under the Management Incentive Plan), which shall be issued to the New Money Investors and/or the Backstop Parties, as applicable, pursuant to the Rights Offering for an aggregate purchase price equal to \$25 million. The New Convertible Preferred Stock shall: (i) pay cumulative Cash dividends at the rate of 2% per annum; and (ii) be subject to the New Shareholders' Agreement.

106. *"New Money Investor"* means each Eligible Holder that votes to accept the Plan duly and timely exercises its Subscription Rights in connection with the Rights Offering.

107. *"New Preferred Stock"* shall mean the Commitment Fee Preferred Stock, together with the New Convertible Preferred Stock.

108. *"New Shareholders' Agreement"* means a shareholder agreement with respect to Reorganized Loehmann's Holdings, which shall be in form and substance satisfactory to each of the Backstop Parties in its sole discretion.

109. *"Non-Released Parties"* means those Entities that are not Debtor Releasees or Third Party Releasees.

110. *"Notes"* means the Class A Notes and/or the Class B Notes.

111. *“Notes Trademark Security Agreement”* means the Notes Trademark Security Agreement, dated as of October 12, 2004, (as amended, supplemented or otherwise modified from time to time), between CapCo and the Indenture Trustee.

112. *“Notice, Claims and Solicitation Agent”* means, Kurtzman Carson Consultants LLC located at 2335 Alaska Avenue, El Segundo, California 90245, retained as the Debtors’ notice, claims and solicitation agent.

113. *“Other Priority Claim”* means any Claim accorded priority in right of payment under section 507(a) of the Bankruptcy Code, other than a Priority Tax Claim.

114. *“Other Secured Claim”* means any Secured Claim other than a Secured Note Claim or a Secured Tax Claim against any of the Debtors, including, without limitation, Prepetition Credit Agreement Secured Claims to the extent not satisfied with the proceeds of the DIP Facility. For the avoidance of doubt, Other Secured Claims shall not include DIP Facility Claims.

115. *“Person”* means any individual, corporation, partnership, joint venture, association, limited liability company, joint stock company, trust, unincorporated organization, government or agency or political subdivision thereof or any other Entity.

116. *“Petition Date”* means November 15, 2010.

117. *“Plan”* means this joint plan of reorganization under chapter 11 of the Bankruptcy Code, either in its present form or as it may be altered, amended, modified or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules or the terms hereof, as the case may be, and the Plan Supplement, which is incorporated herein by reference, including, without limitation, all exhibits and schedules hereto and thereto.

118. *“Plan Supplement”* means the compilation of documents and forms of documents, schedules and exhibits to be Filed on the Plan Supplement Filing Date, as amended, modified or supplemented from time to time in accordance with the terms hereof and in accordance with the Bankruptcy Code and the Bankruptcy Rules, comprising, without limitation, the following documents: (a) the form of the Exit Financing Agreement; (b) the list of the Employee-Related Programs; (c) the Rejected Executory Contract and Unexpired Lease Schedule; (d) the Assumed Executory Contract and Unexpired Lease Schedule; (e) a schedule of Compensation and Benefits Programs to be rejected, if any; (f) the Amended and Restated Certificate of Incorporation; (g) the Amended and Restated Bylaws; (h) a schedule of the Debtor Causes of Action to be retained by the Reorganized Debtors; (i) the identity of the Reorganized Debtors’ officers; (j) the identity of the members of the New Board; (k) a certificate of designation for the New Convertible Preferred Stock; and (l) the New Shareholders’ Agreement; provided, that, all of the schedules, lists, agreements and documents included in the Plan Supplement shall be in form and substance satisfactory to each of the Backstop Parties in its sole discretion.

119. *“Plan Supplement Filing Date”* means the date that is five (5) Business Days prior to the Voting Deadline.

120. *“Prepetition Administrative Agent”* means Crystal Financial LLC in its capacity as administrative agent and collateral agent under the Prepetition Credit Agreement.

121. *“Prepetition Credit Agreement”* means that certain Credit Agreement, dated as of September 15, 2010, by and among Loehmann’s Operating Co., as borrower, Loehmann’s Holdings, Inc., Loehmann’s Inc., and Loehmann’s Real Estate Holdings, Inc., each as a guarantor, any other persons parties thereto designated from time to time as Credit Parties (as defined in the Credit Agreement), and Crystal Financial LLC, as a lender and as agent for all lenders, and any other lenders party thereto from time to time.

122. *“Prepetition Credit Agreement Lenders”* means the lenders under the Prepetition Credit Agreement, as of the Petition Date.

123. *“Prepetition Credit Agreement Secured Claims”* means secured Claims arising out of the Prepetition Credit Agreement, in an aggregate Allowed amount equal to \$31,424,559.49 plus accrued and unpaid interest as of the Petition Date.

124. *“Priority Tax Claim”* means a Claim of a governmental unit of the kind specified in section 507(a)(8) of the Bankruptcy Code.

125. *“Professional Compensation and Reimbursement Claim”* means a Claim by a Retained Professional seeking an award by the Bankruptcy Court of compensation for services rendered or reimbursement of expenses incurred through and including the Effective Date under sections 330, 331, 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code.

126. *“Proof of Claim”* means a proof of Claim Filed against any Debtor in the Chapter 11 Cases.

127. *“Pro Rata”* means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of Allowed Claims in that Class, or the proportion of a particular recovery that a Class is entitled to share with other Classes entitled to the same recovery under the Plan, as applicable.

128. *“Qualified Institutional Buyer”* shall mean a “qualified institutional buyer,” as such term is defined pursuant to Rule 144A promulgated pursuant to the Securities Act.

129. *“Registration Rights Agreement”* means Registration Rights Agreement, dated as of October 12, 2004, (as amended, supplemented or otherwise modified from time to time), between CapCo and Jefferies & Company, Inc.

130. *“Rejection Damage Claims”* means any Claim arising from, or relating to, the rejection of an Executory Contract or Unexpired Lease pursuant to

section 365(a) of the Bankruptcy Code by any of the Debtors, as limited, in the case of a rejected Unexpired Lease, by section 502(b)(6) of the Bankruptcy Code.

131. *“Rejected Executory Contract and Unexpired Lease Schedule”* means the list of Executory Contracts and Unexpired Leases to be rejected by the Debtors pursuant to the provisions of Article V hereof.

132. *“Related Agreements”* mean any of the CapCo Lease, the Lease Guarantee, the Security Agreement, the Security and Control Agreement, the Lease Security Agreement, the Notes Trademark Security Agreement, the Registration Rights Agreement, the Registration Rights Assistance Agreement, the Covenant Compliance and Indemnity Agreement, and any other “Lease Documents” (as such term is defined in the CapCo Lease.)

133. *“Related Persons”* means, with respect to any person, such person’s predecessors, successors, assigns and present and former affiliates (whether by operation of law or otherwise) and each of their respective members, partners, equity holders, officers, directors, employees, representatives, advisors, attorneys, auditors, agents and professionals, in each case acting in such capacity on or any time after the Petition Date, and any person claiming by or through any of them.

134. *“Released Parties”* means the Debtor Releasees and the Third Party Releasees.

135. *“Reorganized Debtors”* means the Debtors, as reorganized pursuant to and under the Plan, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

136. *“Reorganized Loehmann’s Holdings, Inc.”* means Loehmann’s Holdings, Inc., as reorganized pursuant to and under the Plan, or any successor thereto, by merger, consolidation, or otherwise, on or after the Effective Date.

137. *“Representatives”* means, with regard to an Entity, current and former officers, directors, members (including *ex officio* members), managers, employees, partners, advisors, attorneys, professionals, accountants, investment bankers, investment advisors, actuaries, Affiliates, financial advisors, consultants, agents and other representatives of each of the foregoing Entities (whether current or former, in each case in his, her or its capacity as such).

138. *“Restructuring Support Agreement”* means that certain Amended and Restated Restructuring Support Agreement dated as of November 14, 2010 and amended and restated on December 1, 2010 among the Debtors, CapCo, Istithmar and the Supporting Secured Noteholders, as amended from time to time in accordance with the terms thereof.

139. *“Restructuring Transactions”* has the meaning set forth in Article IV.I of the Plan.

140. *“Retained Professional”* means an Entity: (a) employed in the Chapter 11 Cases pursuant to a Final Order in accordance with sections 327 and 1103 of

the Bankruptcy Code and to be compensated for services rendered prior to the Effective Date, pursuant to sections 327, 328, 329, 330 and 331 of the Bankruptcy Code; or (b) for which compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

141. *“Rights Offering”* means the offering of the Subscription Rights by the Debtors to Eligible Holders of Class A Notes in accordance with the Rights Offering Procedures and the Plan.

142. *“Rights Offering Amount”* means the aggregate purchase price of \$25 million.

143. *“Rights Offering Procedures”* means those certain Rights Offering Procedures, setting forth the terms and conditions of the Rights Offering, in substantially the form attached as Exhibit “H” to the Disclosure Statement.

144. *“S&P”* means Standard & Poor’s Ratings Services.

145. *“Scheduled”* means with respect to any Claim, the status and amount, if any, of such Claim as set forth in the Schedules.

146. *“Schedules”* means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code and in substantial conformance with the official bankruptcy forms, as the same may have been amended, modified or supplemented from time to time.

147. *“Secured Claim”* means any Claim against any Debtor that is secured by a Lien on property in which a Debtor’s Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Claim Holder’s interest in the applicable Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or, in the case of setoff, pursuant to section 553 of the Bankruptcy Code.

148. *“Secured Note Claims”* means Class A Notes Claims and Class B Notes Claims, individually and in the aggregate.

149. *“Secured Tax Claim”* means any Secured Claim which, absent its secured status, would be entitled to payment as a Priority Tax Claim.

150. *“Securities”* means any instruments that qualify under section 2(a)(1) of the Securities Act, including the Notes and the New Secured Notes; provided, that, for the avoidance of doubt, the Notes shall be canceled pursuant to Article IV.F.

151. *“Securities Act”* means the Securities Act of 1933, 15 U.S. C. §§ 77a-77aa, as now in effect or hereafter amended, or any similar federal, state or local law.

152. “*Security Agreement*” means the Security Agreement, dated as of October 12, 2004 (as amended, supplemented or otherwise modified from time to time), between CapCo and the Indenture Trustee, as collateral agent.

153. “*Security and Control Agreement*” means the Security and Control Agreement, dated as of October 12, 2004 (as amended, supplemented or otherwise modified from time to time), between CapCo and the Indenture Trustee as trustee, collateral agent and securities intermediary.

154. “*Servicer*” means an indenture trustee, agent, servicer or other authorized representative of Holders of Claims or Interests recognized by the Debtors.

155. “*Subordinated Claim*” means any Claim against a Debtor, whether secured or unsecured, for any fine, penalty, forfeiture, attorneys’ fees (to the extent that such attorneys’ fees are punitive in nature), multiple, exemplary or punitive damages, or for any other amount that does not represent compensation for actual pecuniary loss suffered by the holder of such Claim, all claims against any of the Debtors of the type described in section 510(b) of the Bankruptcy Code, and any Claim that is equitably subordinated to all general unsecured Claims pursuant to section 510(c) of the Bankruptcy Code or otherwise.

156. “*Subscription Rights*” means the uncertificated subscription rights to purchase the New Convertible Preferred Stock pursuant to the Rights Offering on the terms and subject to the conditions set forth in Article IV.B of the Plan and the Rights Offering Procedures.

157. “*Supporting Secured Noteholders*” means those certain holders of Senior Secured Notes identified on the signature pages to the Restructuring Support Agreement.

158. “*Supporting Secured Noteholder Advisors*” means Gibson, Dunn & Crutcher LLP in its capacity as counsel to one or more Supporting Secured Noteholders and Conway Del Genio Gries & Co., LLC, as financial advisor to the Supporting Secured Noteholders.

159. “*Third Party Distribution Agent*” means DTC or any other Entity or Entities chosen by the Debtors or the Reorganized Debtors, as applicable, in consultation with the DIP Agent, the Backstop Parties and the Committee, to make or facilitate distributions under the Plan.

160. “*Third Party Releasees*” means: (a) the DIP Agent; (b) the DIP Lenders; (c) Holders of Secured Note Claims that vote to accept the Plan; (d) the Indenture Trustee, solely to the extent that the Indenture Trustee does not object to the Plan; (e) the Backstop Parties; (f) the New Money Investors; and (g) each of their respective Related Persons.

161. “*Unclaimed Distribution*” means any distribution under the Plan on account of an Allowed Claim or Interest to a Holder that has not: (a) accepted a particular distribution or, in the case of distributions made by check, negotiated such

check; (b) given notice to the Reorganized Debtors of an intent to accept a particular distribution; (c) responded to the Debtors' or Reorganized Debtors' requests for information necessary to facilitate a particular distribution; or (d) taken any other action necessary to facilitate such distribution.

162. *"Unexpired Lease"* means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code with a counterparty other than another Debtor. For the avoidance of doubt, the CapCo Lease shall not be considered an Unexpired Lease pursuant to the Plan.

163. *"Unimpaired"* means, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests, not "impaired" within the meaning of section 1124 of the Bankruptcy Code.

164. *"Unsubscribed Shares"* means those shares of New Convertible Preferred Stock issued in connection with the Rights Offering that are not subscribed for pursuant to the Rights Offering.

165. *"Voting Deadline"* means 5:00 p.m., prevailing Eastern Time, on [_____].

166. *"Whippoowill"* means Whippoowill Associates, Inc. as administrator of certain of its discretionary funds and accounts.

ARTICLE II. ADMINISTRATIVE, DIP FACILITY AND PRIORITY CLAIMS

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, DIP Facility Claims and Priority Tax Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in Article III.

A. Administrative Claims

Subject to the provisions of sections 327, 330(a) and 331 of the Bankruptcy Code, except to the extent that a Holder of an Allowed Administrative Claim and the applicable Debtors agree to less favorable treatment to such Holder, each Holder of an Allowed Administrative Claim will be paid the full unpaid amount of such Allowed Administrative Claim in Cash: (a) on the Effective Date or as soon as reasonably practicable thereafter or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter; (b) if an Administrative Claim is Allowed after the Effective Date, on the date such Administrative Claim is Allowed or as soon as reasonably practicable thereafter or, if not then due, when such Allowed Administrative Claim is due; (c) at such time and upon such terms as may be agreed upon by such Holder and the Debtors or the Reorganized Debtors, as the case may be; or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court; provided, that, Allowed Administrative Claims that arise in the ordinary course of the Debtors' business shall be paid in full in Cash in the ordinary course of

business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions; provided, further, that Allowed Administrative Claims do not include Claims Filed after the Administrative Claims Bar Date (except as otherwise provided by a separate order of the Bankruptcy Court).

B. DIP Facility Claims

Notwithstanding anything to the contrary herein, and subject to the terms of the DIP Facility, in full and final satisfaction, settlement, release and discharge of and in exchange for release of all DIP Facility Claims, on the Effective Date, the DIP Facility Claims shall be satisfied from the proceeds of the Exit Facility or otherwise be paid off in full and in Cash.

C. Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment or has been paid by any applicable Debtor prior to the Effective Date, in full and final satisfaction, settlement, release, and discharge of and in exchange for release of each Allowed Priority Tax Claim, each Holder of such Allowed Priority Tax Claim shall receive on account of such Claim, in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, regular installment payments in Cash over a period ending not later than five years after the Petition Date of a total value, as of the Effective Date, equal to the Allowed amount of such Claim, which total value shall include simple interest to accrue on any outstanding balance of such Allowed Priority Tax Claim starting on the Effective Date at the rate of interest determined under applicable non-bankruptcy law pursuant to section 511 of the Bankruptcy Code. On the Effective Date, the Liens securing any Allowed Secured Tax Claim shall be deemed released, terminated and extinguished, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person.

**ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

A. Classification of Claims

Pursuant to Article IV.A hereof, the Plan provides for the limited substantive consolidation of the Debtors' Estates into one Estate solely for Plan purposes, including voting, Confirmation and distributions. The following tables classify Claims and Interests with respect to the Debtors' Estates, except DIP Facility Claims, Administrative Claims and Priority Tax Claims, for all purposes, including voting, Confirmation and distribution pursuant to the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Interest to be classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is classified in a particular Class only to the

extent that any such Claim or Interest is an Allowed Claim in that Class and has not been paid, released, settled or otherwise satisfied prior to the Effective Date.

Summary of Classification and Treatment of Claims and Interests

<u>Class</u>	<u>Claim</u>	<u>Status</u>	<u>Voting Rights</u>
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	Other Secured Claims	Unimpaired	Deemed to Accept
3	Class A Note Claims	Impaired	Entitled to Vote
4	Class B Note Claims	Impaired	Entitled to Vote
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Subordinated Claims	Impaired	Deemed to Reject
7	Equity Interests in Loehmann's Holdings, Inc.	Impaired	Deemed to Reject
8	Intercompany Claims	Unimpaired	Deemed to Accept

B. Treatment of Claims and Interests

1. Class 1 — Other Priority Claims

- (a) *Classification:* Class 1 consists of all Other Priority Claims that may exist against the Debtors.
- (b) *Treatment:* Except to the extent that a Holder of an Other Priority Claim agrees to a less favorable treatment for such Holder, in exchange for full and final satisfaction, settlement, release and discharge of each Other Priority Claim, each Holder of such Allowed Other Priority Claim shall be paid in full in Cash on the later of the Effective Date or the date on which such Other Priority Claim becomes an Allowed Other Priority Claim or as soon as reasonably practicable thereafter; provided, that, subject to Bankruptcy Court approval, priority wage claims may be paid in full in the ordinary course of business.
- (c) *Voting:* Class 1 is Unimpaired, and Holders of Class 1 Other Priority Claims are conclusively presumed to have Accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1 Other Priority Claims are not entitled to vote to accept or reject the Plan.

2. Class 2 — Other Secured Claims

- (a) *Classification:* Class 2 consists of all Other Secured Claims that may exist against the Debtors.
- (b) *Treatment:* Except to the extent that a Holder of an Other Secured Claim agrees to a less favorable treatment for such Holder, in exchange for full and final satisfaction, settlement, release and discharge of each Other Secured Claim, each Holder of an Allowed

Other Secured Claim, at the option of the Debtors, with the consent of the Backstop Parties, shall (i) be paid in full in Cash, (ii) receive the collateral securing its Allowed Other Secured Claim, plus post-petition interest to the extent required under section 506(b) of the Bankruptcy Code, or (iii) receive other treatment rendering such Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code, in each case on the later of the Effective Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon as reasonably practicable thereafter.

- (c) *Voting:* Class 2 is Unimpaired, and Holders of Class 2 Other Secured Claims are conclusively presumed to have Accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Other Secured Claims are not entitled to vote to accept or reject the Plan.

3. Class 3 — Class A Notes Claims

- (a) *Classification:* Class 3 consists of Class A Notes Claims against the Debtors, which shall be Allowed in the aggregate amount of \$75,000,000 plus accrued and unpaid interest as of the Petition Date.
- (b) *Treatment:* In exchange for full and final satisfaction, settlement, release and discharge of each Class A Notes Claim, on the Effective Date, each Holder of a Class A Notes Claim shall receive its *Pro Rata* share of: (a) the Class A Notes Claims Distribution; and (b) provided such Holder of a Class A Notes Claim is an Eligible Holder, the Class A Rights, provided however, that such Class A Rights shall only be exercisable by Eligible Holders that vote to accept the Plan. For the avoidance of doubt, the treatment provided herein shall also be in full satisfaction of: (i) any Claim, Lien, right or interest that a holder of a Class A Notes Claim may have arising under, related to, or in connection with, any of the Related Agreements; and (ii) any Claim, Lien, right or interest that the Indenture Trustee may have arising under, related to, or in connection with, any of the Related Agreements for the benefit of any holder of a Class A Notes Claim.
- (c) *Voting:* Class 3 is Impaired and Holders of Class 3 Class A Notes Claims are entitled to vote to accept or reject the Plan.

4. Class 4 — Class B Notes Claims

- (a) *Classification:* Class 4 consists of Class B Notes Claims against the Debtors, which shall be Allowed in the aggregate amount of \$35,000,000 plus accrued and unpaid interest as of the Petition Date.
- (b) *Treatment:* If Class 4 votes to Accept the Plan, each Holder of an Allowed Class B Notes Claim shall receive in full and final satisfaction, settlement, release and discharge of each Class B Notes Claim, on the Effective Date, its *Pro Rata* share of the Class B Notes Claims Distribution.

If Class 4 does not vote to Accept the Plan, Holders of Allowed Class B Notes Claims shall not be entitled to any distributions under the Plan.

For the avoidance of doubt, the treatment provided herein shall also be in full satisfaction of: (i) any Claim, Lien, right or interest that a holder of a Class B Notes Claim may have arising under, related to, or in connection with, any of the Related Agreements; and (ii) any Claim, Lien, right or interest that the Indenture Trustee may have arising under, related to, or in connection with, any of the Related Agreements for the benefit of any holder of a Class B Notes Claim.

- (c) The distributions provided to Holders of Allowed Class B Notes Claims shall be funded solely from the distributions otherwise payable, or otherwise directly or indirectly available, under the Plan to Holders of Allowed Class A Notes Claims.
- (d) *Voting:* Class 4 is Impaired and Holders of Class 4 Class B Notes Claims are entitled to vote to accept or reject the Plan.

5. Class 5 — General Unsecured Claims

- (a) *Classification:* Class 5 consists of General Unsecured Claims that may exist against the Debtors.
- (b) *Treatment:* If Class 5 votes to Accept the Plan, each Holder of an Allowed General Unsecured Claim shall receive in exchange for full and final satisfaction, settlement, release and discharge of each General Unsecured Claim, on the Effective Date, its *Pro Rata* share of the General Unsecured Claims Distribution payable from the General Unsecured Claims Distribution Escrow Account. Holders of Allowed General Unsecured Claims who received any payment from the Debtors during the Chapter 11 Cases pursuant to any order of the Bankruptcy Court shall not be excluded from receiving distributions under the Plan on account of such Claims unless such

Claims were fully satisfied by any prior payments from the Debtors, provided however, that distributions on account of such Claims shall be made only to the extent such Claims were not previously satisfied. The Debtors reserve all rights to challenge the legal basis and amount of any asserted General Unsecured Claim, and each such Holder reserves all rights and defenses with respect to any such challenge.

If Class 5 does not vote to Accept the Plan, Holders of Allowed General Unsecured Claims shall not be entitled to any distributions under the Plan.

- (c) The distributions provided to Holders of Allowed General Unsecured Claims shall be funded solely from the distributions otherwise payable, or otherwise directly or indirectly available, under the Plan to Holders of Allowed Class A Notes Claims.
- (d) *Voting*: Class 5 is Impaired, and Holders of Class 5 General Unsecured Claims are entitled to vote to accept or reject.

6. Class 6 — Subordinated Claims

- (a) *Classification*: Class 6 consists of all Subordinated Claims.
- (b) *Treatment*: Holders of Subordinated Claims will not receive any distribution on account of such Claims, and Subordinated Claims shall be discharged, cancelled, released and extinguished as of the Effective Date.
- (c) *Voting*: Class 6 is Impaired, and Holders of Class 6 Subordinated Claims are not entitled to receive or retain any property under the Plan on account of Subordinated Claims. Therefore, Holders of Class 6 Subordinated Claims are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 6 Subordinated Claims are not entitled to vote to accept or reject the Plan.

7. Class 7 — Equity Interests in Loehmann's Holdings, Inc.

- (a) *Classification*: Class 7 consists of all Equity Interests in Loehmann's Holdings, Inc.
- (b) *Treatment*: Holders of Equity Interests in Loehmann's Holdings, Inc. will not receive any distribution on account of such Interests, and Equity Interests in Loehmann's Holdings, Inc. shall be discharged, cancelled, released and extinguished as of the Effective Date.
- (c) *Voting*: Class 7 is Impaired, and Holders of Class 7 Equity Interests in Loehmann's Holdings, Inc. are not entitled to receive or retain

any property under the Plan on account of Equity Interests in Loehmann's Holdings, Inc. Therefore, Holders of Class 7 Equity Interests in Loehmann's Holdings, Inc. are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code, and Holders of Class 7 Equity Interests in Loehmann's Holdings, Inc. are not entitled to vote to accept or reject the Plan.

8. Class 8 — Intercompany Claims

- (a) *Classification:* Class 8 consists of all Intercompany Claims.
- (b) *Treatment:* Holders of Intercompany Claims will not receive any distribution on account of such Claims; provided, that, the Debtors or, after the Effective Date, the Reorganized Debtors reserve the right to reinstate any or all Intercompany Claims (other than any Claims related to the CapCo Lease or related transactions) on or after the Effective Date.
- (c) *Voting:* Class 8 is Unimpaired, and Holders of Class 8 Intercompany Claims are conclusively presumed to have Accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 8 Intercompany Claims are not entitled to vote to accept or reject the Plan.

C. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' or the Reorganized Debtors' rights in respect of any Unimpaired Claim, including, but not limited to, all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claim.

D. Acceptance or Rejection of the Plan

1. *Presumed Acceptance of Plan:* Classes 1, 2 and 8 are Unimpaired under the Plan and are, therefore, presumed to have Accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, such Classes are not entitled to vote on the Plan and the vote of such Holders of Claims shall not be solicited.

2. *Voting Classes:* Each Holder of an Allowed Claim in each of Classes 3, 4 and 5 shall be entitled to vote to accept or reject the Plan.

3. *Presumed Rejection of the Plan:* Classes 6 and 7 are Impaired and Holders of Class 6 Subordinated Claims or Class 7 Interests shall receive no distributions under the Plan on account of their Claims or Interests and are therefore, presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 6 Subordinated Claims or Class 7 Interests are not entitled to vote on the Plan and the vote of such Holders shall not be solicited.

4. *Elimination of Vacant Classes; Deemed Acceptance by Non-Voting Classes*

- (a) Any Class of Claims that is not occupied as of the commencement of the Confirmation Hearing by an Allowed Claim or a Claim temporarily Allowed under Bankruptcy Rule 3018, shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.
- (b) If no votes to accept or reject the Plan are received with respect to a Class whose votes have been solicited under the Plan (other than a Class that is deemed eliminated pursuant to the foregoing Article III.D.4 (a)), such Class shall be deemed to have voted to Accept the Plan.

5. *Controversy Concerning Impairment:* If a controversy arises as to whether any Claims, or any Class of Claims, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

E. Nonconsensual Confirmation

Except as otherwise specifically provided in the Plan, if any Impaired Class shall not Accept the Plan by the requisite statutory majority provided in section 1126 of the Bankruptcy Code, the Debtors reserve the right to amend the Plan (subject to the Restructuring Support Agreement, the Commitment Letter and conditions to the Effective Date set forth below) or undertake to have the Bankruptcy Court confirm the Plan under section 1129(b) of the Bankruptcy Code, or both.

**ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN**

A. Limited Substantive Consolidation

(i) This Plan provides for the limited substantive consolidation of the Debtors' Estates, but solely for purposes of the Plan, including voting on the Plan by Holders of Claims, making distributions to Holders of Claims in such Class under the Plan and Confirmation. The Debtors and the Backstop Parties reserve all rights with respect to the substantive consolidation of the Debtors.

(ii) On the Effective Date, (i) all assets and liabilities of the Debtors will, solely for voting and distribution purposes, be treated as if they were merged, (ii) each Claim against the Debtors will be deemed a single Claim against and a single obligation of the Debtors, (iii) any Claims Filed or to be Filed in the Chapter 11 Cases will be deemed single Claims against all of the Debtors, (iv) all transfers, disbursements and distributions to Claims made by any Debtor hereunder will be deemed to be made by all of the Debtors, and (v) any obligation of the Debtors as to Claims will be deemed to be one obligation of all of the Debtors. Holders of Allowed Claims shall be entitled to their share of assets available for distribution to such Class without regard to which Debtor was originally liable for such Claim. Except as set forth in this Article, such limited substantive consolidation shall not (other than for purposes related to the Plan)

(w) affect the legal and corporate structures of the Debtors or the Reorganized Debtors, subject to the right of the Debtors or Reorganized Entities to effect the Restructuring Transactions contemplated by the Plan, (x) cause any Debtor to be liable for any Claim or Equity Interest under the Plan for which it otherwise is not liable, and the liability of any Debtor for any such Claim or Equity Interest shall not be affected by such limited substantive consolidation, (y) except as otherwise stated in the Plan, affect Intercompany Claims of Debtors against Debtors and (z) affect Equity Interests in the Debtors' non-debtor Affiliates except as otherwise may be required in connection with the Restructuring Transactions contemplated by the Plan.

(iii) Unless the Bankruptcy Court has approved by a prior order the limited substantive consolidation of the Debtors solely for voting and distribution, the Plan shall serve as, and shall be deemed to be, a request for entry of an order substantively consolidating the Debtors' Estates, but solely for purposes of the Plan, including voting on the Plan, making distributions to Holders of Claims under the Plan and Confirmation. If no objection to the limited substantive consolidation of the Debtors' Estates is timely Filed and served by any Holder of an Impaired Claim affected by the Plan as provided herein on or before the Voting Deadline or such other date as may be established by the Bankruptcy Court, the Confirmation Order shall serve as the order approving the limited substantive consolidation of the Debtors' Estates, but solely for purposes of the Plan, including voting on the Plan, making distributions to Holders of Claims under the Plan and Confirmation. Any objections with respect to the limited substantive consolidation of the Debtors' Estates, solely for purposes of the Plan, that are timely Filed and served shall be heard at the Confirmation Hearing.

B. The Rights Offering

(i) *General Description.* Pursuant to the Rights Offering, Loehmann's Holdings Inc. will offer and sell, for the Rights Offering Amount, the New Convertible Preferred Stock to the Eligible Holders that vote to accept the Plan subject to the terms and conditions of the Commitment Letter and the Rights Offering Procedures (or, to the extent the Rights Offering is not subscribed, to the Backstop Parties as described below). Eligible Holders that vote to accept the Plan will be entitled to exercise the Class A Rights in order to subscribe for and acquire their *Pro Rata* share of the New Convertible Preferred Stock, subject to the terms and conditions set forth in the Commitment Letter and in accordance with the terms of the Rights Offering Procedures.

(ii) *The Backstop Commitment.* In order to facilitate the Rights Offering and implementation of the Plan, the Backstop Parties have agreed to acquire any Unsubscribed Shares in accordance with and subject to the terms and conditions of the Commitment Letter and as more fully described in the Disclosure Statement. On the Effective Date (i) the Company will reimburse or pay any outstanding fees, costs and expenses that have not theretofore been paid of the Backstop Parties and the Backstop Party Professionals relating to the Backstop Commitment and as provided for in the Commitment Letter, and (ii) the Backstop Parties will receive the Commitment Fee and be entitled to the Backstop Indemnification Obligations.

C. Corporate Existence

(i) Except as otherwise provided in the Plan, each Debtor other than CapCo and Holdings shall continue to exist after the Effective Date as a separate corporate Entity, limited liability company, partnership or other form, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and bylaws (or other formation documents) in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or other formation documents) are amended by the Plan or otherwise, and to the extent such documents are amended, such documents are deemed to be pursuant to the Plan and require no further action or approval. In addition, except as provided in the Plan, the Debtors' corporate structure in existence on the Petition Date shall continue in existence on and after the Effective Date.

(ii) Pursuant to this Article IV.C of the Plan, on the Effective Date, CapCo and Holdings shall be merged into Reorganized Loehmann's Operating Co. and all obligations between CapCo, Holdings and the other Debtors shall be extinguished, each without the need for any further corporate or shareholder action.

D. Vesting of Assets in the Reorganized Debtors

Except as otherwise provided in the Plan, the Confirmation Order or any agreement, instrument, or other document incorporated herein, on the Effective Date, all property in each Estate, all Debtor Causes of Action, and any property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances. On and after the Effective Date, except as otherwise provided in the Plan and the Confirmation Order, each Reorganized Debtor may operate its business and may use, acquire or dispose of property and compromise or settle any Claims, Interests or Debtor Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

E. Indemnification Provisions in Organizational Documents

As of the Effective Date, each Debtor's bylaws shall provide for the indemnification, defense, reimbursement, exculpation, and /or limitation of liability of , and advancement of fees and expenses to, directors, officers, employees or agents who were directors, officers, employees or agents of such Debtor, at any time prior to the Effective Date at least to the same extent as the by laws of each of the respective Debtors on the Petition Date, against any claims or causes of action whether direct or derivative, liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, asserted or unasserted, and none of the Reorganized Debtors shall amend and /or restate its certificate of incorporation or bylaws before or after the Effective Date to terminate or materially adversely affect any of the Reorganized Debtors' obligations or such directors', officers', employees' or agents' rights.

F. Cancellation of Agreements, Notes and Equity Interests

1. On the Effective Date, except to the extent otherwise provided, herein, all notes, stock, instruments, certificates, and other documents evidencing the Notes and Equity Interests in Loehmann's Holdings, Inc. shall be canceled and of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtors thereunder or in any way related thereto shall be discharged.

2. On the Effective Date, except to the extent otherwise provided, herein, any indenture relating to any of the foregoing shall be deemed to be canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code, and the obligations of the Debtors thereunder shall be discharged; provided, that, the Notes and the Indenture shall continue in effect solely to (a) allow Holders of the Secured Note Claims to receive distributions provided for hereunder; (b) preserve the right of the Indenture Trustee to the reimbursement of the Indenture Trustee's Fees; and (c) preserve the Indenture Trustee's right to indemnification from the Debtors pursuant to the terms of the Indentures. Notwithstanding the foregoing, the charging liens held by the Indenture Trustee against distributions to holders of Notes shall be deemed released only upon payment of the Indenture Trustee's fees.

3. Any unpaid Indenture Trustee's Fees shall be paid in full in Cash on the Effective Date.

G. Reorganized Company Equity Interests

Reorganized Loehmann's Holdings, Inc.'s equity interests shall consist of New Common Stock and New Preferred Stock. On the Effective Date, the Reorganized Debtors shall issue the New Common Stock and New Preferred Stock pursuant to the terms of the Plan and the Amended and Restated Certificate of Incorporation, without need for any further corporate or shareholder action.

1. New Common Stock. Shares of New Common Stock shall be issued to (a) Holders of Secured Note Claims, (b) the New Money Investors and/or the Backstop Parties, to the extent such parties elect to convert their shares of New Preferred Stock to New Common Stock, and (c) holders of equity-based awards issued under the Management Incentive Plan.

2. New Preferred Stock. (i) the New Convertible Preferred Stock shall be issued to the New Money Investors and/or the Backstop Parties, as applicable, by Reorganized Loehmann's Holdings, Inc. pursuant to the Rights Offering, and (ii) the Commitment Fee Preferred Stock shall be issued to the Backstop Parties on account of the Commitment Fee. The New Preferred Stock shall: (i) pay cumulative Cash dividends at the rate of 2% per annum; and (ii) be convertible into 49.1% of the fully diluted shares of New Common Stock (excluding any shares to be distributed under the Management Incentive Plan) in the aggregate.

3. Exemption from Securities Laws. To the extent that the New Common Stock and New Preferred Stock constitute "securities," as defined in section 2(a)(1) of the Securities Act, the issuance of the New Common Stock and the New

Preferred Stock shall be, and shall be deemed, to the maximum extent provided in section 1145 of the Bankruptcy Code, Section 4(2) of the Securities Act and under applicable nonbankruptcy law, to be exempt from registration under any applicable federal or state securities laws, including under the Securities Act, and all rules and regulations promulgated thereunder, and the Reorganized Debtors will not be subject to the reporting requirements of the Securities Exchange Act of 1934. The New Common Stock and New Preferred Stock issued pursuant to the Plan shall be fully paid and non-assessable.

H. Exit Financing

On the Effective Date, the Reorganized Debtors will consummate the Exit Facility. In accordance with the Exit Financing Agreement, the Reorganized Debtors will use proceeds of the Exit Financing Agreement to pay or refinance the DIP Facility Claims and to fund other payments under the Plan. From and after the Effective Date, the Reorganized Debtors, subject to any applicable limitations set forth in any post-Effective Date financing, shall have the right and authority without further order of the Bankruptcy Court to raise additional capital and obtain additional financing as the boards of directors of the applicable Reorganized Debtors deem appropriate.

I. Restructuring Transactions

On the Effective Date or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the Plan (the "*Restructuring Transactions*"), including, without limitation: (1) the merger of Holdings and CapCo into Reorganized Loehmann's Operating Co. (2) the execution and delivery of appropriate agreements or other documents of merger, consolidation or reorganization containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law and are, in all respects, acceptable to the Backstop Parties; (3) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any property, right, liability, duty or obligation on terms consistent with the terms of the Plan and acceptable to the Backstop Parties; (4) the filing of appropriate certificates of incorporation, merger or consolidation with the appropriate governmental authorities pursuant to applicable law, which are, in all circumstances, acceptable to the Backstop Parties; and (5) all other actions that the Reorganized Debtors, with the consent of the Backstop Parties determine are necessary or appropriate including, without limitation, the Rights Offering.

J. Corporate Action

Each of the matters provided for by the Plan involving the corporate structure of the Debtors or corporate, financing or related actions to be taken by or required of the Reorganized Debtors (including the Restructuring Transactions) shall, as of the Effective Date, be deemed to have occurred and be effective as provided in the Plan (except to the extent otherwise indicated), and shall be authorized, approved, and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further corporate or shareholder action. Without limiting the foregoing,

such actions will include: the merger of Reorganized CapCo and Reorganized Holdings into Reorganized Loehmann's Operating Co.; the adoption and (as applicable) filing of the Amended and Restated Certificate of Incorporation, and the Amended and Restated Bylaws; the adoption of the New Shareholders' Agreement; the appointment of officers and (as applicable) directors for the Reorganized Debtors; the issuance of the New Convertible Preferred Stock, and the New Common Stock, the execution and delivery of the Exit Facility, and all related documents and instruments (as applicable), and all related documents and instruments (as applicable).

K. Post-Effective Date Governance

The Reorganized Debtors shall enter into such agreements and amend their corporate governance documents to the extent necessary to implement the terms and conditions of the Plan. Without limiting the generality of the foregoing, as of the Effective Date, Reorganized Loehmann's Holdings, Inc. shall be governed by the Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws.

L. Effectuating Documents and Further Transactions

Each of the Debtors and the Reorganized Debtors are authorized to execute, deliver, file or record such contracts, instruments, releases, consents, certificates, resolutions, programs and other agreements and/or documents and take such acts and actions as may be reasonable, necessary or appropriate to effectuate, implement, consummate and/or further evidence the terms and conditions of the Plan, any notes or securities issued pursuant to the Plan, and any transactions described in or contemplated by the Plan. The Debtors or Reorganized Debtors, as applicable, and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

M. Authority to Act

Prior to, on or after the Effective Date (as appropriate), all matters expressly provided for under the Plan that would otherwise require approval of the stockholders, security holders, officers, directors, partners, managers, members or other owners of one or more of the Debtors or the Reorganized Debtors shall be deemed to have occurred and shall be in effect prior to, on or after the Effective Date (as appropriate) pursuant to the applicable law of the states or jurisdictions in which the Debtors or the members of the Reorganized Debtors are formed, without any requirement of further vote, consent, approval, authorization or other action by such stockholders, security holders, officers, directors, partners, managers, members or other owners of such entities or notice to, order of or hearing before the Bankruptcy Court.

N. Exemption from Certain Transfer Taxes and Recording Fees

Pursuant to section 1146(a) of the Bankruptcy Code, any transfer from a Debtor to a Reorganized Debtor or to any Entity pursuant to, in contemplation of, or in

connection with the Plan or pursuant to: (1) the issuance, distribution, transfer, or exchange of any debt, Securities, or other interest in the Debtors or the Reorganized Debtors; (2) the creation, modification, consolidation, or recording of any mortgage, deed of trust or other security interest, or the securing of additional indebtedness by such or other means; (3) the making, assignment, or recording of any lease or sublease; or (4) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, applicable Uniform Commercial Code filing or recording fee, regulatory filing or recording fee, or other similar tax or governmental assessment, and the appropriate state or local governmental officials or agents shall forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

O. Board Representation

The New Board shall consist of Reorganized Loehmann's Holdings, Inc.'s Chief Executive Officer and six (6) other directors comprised of (i) two (2) directors appointed by Whippoorwill; (ii) two (2) directors appointed by Istithmar; and (iii) two (2) independent directors with management experience in the retail industry who shall be mutually acceptable to Istithmar and Whippoorwill. One (1) of such independent directors, as shall be jointly approved by Istithmar and Whippoorwill, shall serve as Chairman of the New Board. The Plan Supplement will list the members of the New Board identified as of the date of filing thereof; New Board members identified thereafter and prior to the start of the Confirmation Hearing will be identified at the Confirmation Hearing. Subject to the Amended and Restated Bylaws relating to the filling of vacancies, if any, on the New Board, the members of the New Board as constituted on the Effective Date will continue to serve at least until the first annual meeting of stockholders after the Effective Date. Starting at such first annual meeting of stockholders, the board of directors of Reorganized Loehmann's Holdings, Inc. shall be elected pursuant to the terms of the Amended and Restated Bylaws.

P. Senior Management

The senior management of the Reorganized Debtors shall be individuals acceptable to each Backstop Party, as designated in the Plan Supplement. The Reorganized Debtors' senior management shall serve in accordance with any employment agreement, policies or other arrangements as is acceptable to each Backstop Party and the Reorganized Debtors and applicable nonbankruptcy law.

Q. New Shareholders' Agreement

Upon the Effective Date and as a condition to receiving their New Common Stock and New Preferred Stock, all holders of New Common Stock and New Preferred Stock shall be bound by and deemed to have entered into the New

Shareholders' Agreement. Prior to any subsequent public offering of the New Common Stock or the New Preferred Stock, future holders of New Common Stock or New Preferred Stock shall be required to execute a joinder to, or shall otherwise be bound by, the New Shareholders' Agreement, as amended from time to time.

R. Management Incentive Plan

Subject to the approval of the New Board, Reorganized Loehmann's Holdings, Inc. shall adopt the Management Incentive Plan, if any, on or after the Effective Date.

S. Preservation of Rights of Action

Except for the actions released by the Debtors pursuant to Article IX.E below, and in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Debtor Causes of Action, whether arising before or after the Petition Date, including, but not limited to, any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute, or settle such Debtor Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. **No Person may rely on the absence of a specific reference in the Plan, the Plan Supplement or the Disclosure Statement to any Debtor Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Debtor Causes of Action against them. The Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Debtor Causes of Action against any Person, except as otherwise expressly provided in the Plan.** Unless any Debtor Causes of Action against a Person are expressly waived with the consent of the Backstop Parties, relinquished, exculpated, released, compromised or settled in the Plan or pursuant to a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Debtor Causes of Action, for later adjudication, and, therefore no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Debtor Causes of Action upon, after, or as a consequence of the Confirmation or the Effective Date. Further, except for the actions released by the Debtors pursuant to Article IX.E, the Reorganized Debtors reserve and shall retain the foregoing Debtor Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Debtor Causes of Action that a Debtor may hold against any Person shall vest in the applicable Reorganized Debtor (or in the case of Reorganized CapCo and Reorganized Holdings, in Reorganized Loehmann's Operating Co.), as the case may be. The applicable Reorganized Debtor, through its authorized agents or representatives, shall retain and may exclusively enforce any and all such Debtor Causes of Action. The Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw or litigate to judgment any such Debtor Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party.

ARTICLE V.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases

Subject to the provisions herein, each of the Debtors' Executory Contracts and Unexpired Leases shall be deemed assumed as of the Effective Date unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) is identified on the Rejected Executory Contract and Unexpired Lease Schedule, which such list shall be included in the Plan Supplement; (3) is the subject of a separate motion or notice to reject filed by the Debtors on or before the filing of the Rejected Executory Contracts and Unexpired Lease Schedule or (4) previously expired or terminated pursuant to its own terms.

Except as expressly provided otherwise, the Plan shall give effect to any subordination rights as required by section 510(a) of the Bankruptcy Code. Entry of the Confirmation Order by the Bankruptcy Court shall constitute an order approving the assumptions or rejections of such Executory Contracts and Unexpired Leases as set forth in the Plan, all pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, all assumptions or rejections of such Executory Contracts and Unexpired Leases in the Plan are effective as of the Effective Date. Each such Executory Contract and Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order, and not assigned to a third party prior to the Effective Date, shall revert in and be fully enforceable by the applicable contracting Reorganized Debtor in accordance with its terms, except as such terms may have been modified by order of the Bankruptcy Court. To the extent any provision in any Executory Contract and/or Unexpired Lease assumed pursuant to the Plan (including, without limitation, any "change of control" provision) restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the applicable Debtor or Reorganized Debtor's assumption or assignment of such assumed contract, then such provision shall be deemed modified such that the transactions contemplated by the Plan shall not entitle the non-debtor party thereto to terminate such executory contract or unexpired lease or to exercise any other default-related rights with respect thereto. Further, any provisions in any Executory Contract or Unexpired Lease or under non-bankruptcy law providing for the termination or modification of any Executory Contract or Unexpired Lease by reason of the commencement of the Chapter 11 Cases, the financial condition of any of the Debtors or the assignment of any Executory Contract or Unexpired Lease shall be unenforceable pursuant to Sections 365(e) and 541(c) of the Bankruptcy Code. Notwithstanding anything to the contrary in the Plan, the Debtors or Reorganized Debtors, as applicable, reserve the right to alter, amend, modify or supplement the Rejected Executory Contract and Unexpired Lease Schedule prior to the Confirmation Date with the consent of each Backstop Party.

B. Cure of Defaults for Assumed Executory Contracts and Unexpired Leases

Any provisions or terms of the Debtors' Executory Contracts or Unexpired Leases to be assumed pursuant to the Plan that are, or may be, alleged to be in default, shall be satisfied solely by Cure or by an agreed-upon waiver of Cure. As part of the Plan Supplement, the Debtors shall File an Assumed Executory Contract and Unexpired

Lease Schedule, which Schedule shall identify the Executory Contracts and Unexpired Leases to be assumed by the Debtors pursuant to the Plan and shall include any amounts of Cure to be paid in connection therewith. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related Cure amount must be Filed, served and actually received by the Debtors at least seven days before the Confirmation Hearing. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or Cure amount will be deemed to have assented to, and will forever be barred from contesting, such assumption or Cure amount. The Reorganized Debtors also may settle any Cure without further notice to or action, order, or approval of the Bankruptcy Court.

If any counterparty to an Executory Contract or Unexpired Lease objects to any Cure amount or any other matter related to assumption, the Bankruptcy Court shall determine the Allowed amount of such Cure and any related issues. If there is a dispute regarding such Cure, the ability of the applicable Reorganized Debtor or any assignee to provide "adequate assurance of future performance" within the meaning of section 365 of the Bankruptcy Code, or any other matter pertaining to assumption, then Cure shall occur as soon as reasonably practicable after entry of a Final Order resolving such dispute, approving such assumption (and, if applicable, assignment), or as may be agreed upon by the applicable Debtor or Reorganized Debtor, and the counterparty to the Executory Contract or Unexpired Lease. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption of any Executory Contract or Unexpired Lease will be deemed to have consented to such assumption. The Debtors or Reorganized Debtors, as applicable, reserve the right, either to reject or nullify the assumption of any Executory Contract or Unexpired Lease no later than thirty days after a Final Order determining the Cure or any request for adequate assurance of future performance required to assume such Executory Contract or Unexpired Lease.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption.

C. Claims Based on Rejection of Executory Contracts and Unexpired Leases

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim asserting Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to the Plan or otherwise must be filed by Holders of such Claims with the Notice, Claims and Solicitation Agent no later than thirty days after the earlier of (1) the Effective Date or (2) the effective date of rejection for such Holders to be entitled to receive distributions under the Plan on account of such Claims. Any Holder of a Rejection Damage Claim that does not timely File its Proof of Claim shall not (a) be treated as a creditor with respect to such Claim, (b) be permitted to vote to accept or reject the Plan or (c) participate in any distribution in the Chapter 11 Cases on account of such Claim, and such Claim shall be deemed fully

satisfied, released, and discharged, notwithstanding anything in the Schedules or a Proof of Claim to the contrary.

D. Assumption of Directors and Officers Insurance Policies

As of the Effective Date, the Reorganized Debtors shall be deemed to have assumed all of the Debtors' unexpired directors' and officers' liability insurance policies and fiduciary policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the Reorganized Debtors' foregoing assumption of each of the unexpired directors' and officers' liability insurance policies and fiduciary policies. Notwithstanding anything to the contrary contained in the Plan, confirmation of the Plan shall not discharge, impair or otherwise modify any indemnity obligations assumed by the foregoing assumption of the unexpired directors' and officers' liability insurance policies and fiduciary policies, and each such indemnity obligation will be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be filed. In addition, after the Effective Date, none of the Reorganized Debtors shall terminate or otherwise reduce the coverage under any directors' and officers' insurance policies and fiduciary policies (including any "tail policy") in effect on the Petition Date, with respect to conduct occurring prior thereto, and all directors and officers of the Debtors who served in such capacity at any time prior to the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such directors and officers remain in such positions after the Effective Date.

E. Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or Reorganized Debtors, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

F. Nonoccurrence of Effective Date

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any consensual request to extend the deadline for assuming or rejecting unexpired leases pursuant to section 365(d)(4) of the Bankruptcy Code.

G. Compensation and Benefit Programs

Subject to the provisions of the Plan, all Compensation and Benefits Programs shall be treated as Executory Contracts under the Plan and deemed assumed on the Effective Date pursuant to the provisions of sections 365 and 1123 of the Bankruptcy Code, except for:

- (a) all employee equity or equity-based incentive plans, and any provisions set forth in the Compensation and Benefits Programs that provide for rights to acquire Equity Interests in Loehmann's Holdings, Inc.;
- (b) Compensation and Benefits Programs listed in the Plan Supplement as Executory Contracts to be rejected;
- (c) Compensation and Benefits Programs that have previously been rejected; and
- (d) Compensation and Benefits Programs that, as of the entry of the Confirmation Order, are the subject of pending rejection procedures or a motion to reject, or have been specifically waived by the beneficiaries of any employee benefit plan or contract.

Any assumption of Compensation and Benefits Programs pursuant to this Article V.G shall be deemed by the Confirmation Order not to trigger any applicable change of control, immediate vesting, termination, or similar provisions therein (unless a Compensation and Benefits Program counterparty timely objects to the assumption contemplated by this Article V.G, in which case any such Compensation and Benefits Program shall be deemed rejected as of immediately prior to the Petition Date). No counterparty shall have rights under a Compensation and Benefits Program assumed pursuant to this Article V.G other than those applicable immediately prior to such assumption.

Notwithstanding anything to the contrary in this Article V.G or otherwise, the Reorganized Debtors' obligations, if any, to pay all "retiree benefits" (as that term is defined in section 1114(a) of the Bankruptcy Code) shall continue.

H. Workers' Compensation Programs

As of the Effective Date, except as set forth in the Plan Supplement, the Debtors and the Reorganized Debtors shall continue to honor their obligations under: (1) all applicable workers' compensation laws in states in which the Reorganized Debtors operate; and (2) the Debtors' written contracts, agreements, agreements of indemnity, self-insurer workers' compensation bonds, policies, programs, and plans for workers' compensation and workers' compensation insurance; provided, however, that nothing in the Plan shall limit, diminish, or otherwise alter the Debtors' or Reorganized Debtors' defenses, Debtor Causes of Action, or other rights under applicable non-bankruptcy law with respect to any such contracts, agreements, policies, programs, and plans; provided, further, that nothing herein shall be deemed to impose any obligations on the Debtors in addition to what is provided for under applicable law.

ARTICLE VI.
PROVISIONS GOVERNING DISTRIBUTIONS

A. Distributions on Account of Claims and Interests Allowed As of the Effective Date

Except as otherwise provided in the Plan, a Final Order or as agreed to by the relevant parties, distributions under the Plan on account of Allowed Claims and Interests on or before the Effective Date shall be made in accordance with Article II, Article III.B, and Article IV; provided, however, that Allowed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases or assumed by the Debtors prior to the Effective Date shall be paid or performed in the ordinary course of business in accordance with the terms and conditions of any controlling agreements, course of dealing, course of business or industry practice; provided, further, that the New Common Stock to be issued under the Plan shall be deemed issued as of the Effective Date regardless of the date on which the New Common Stock is actually dated, authenticated or distributed.

B. Distributions on Account of Claims and Interests Allowed After the Effective Date

1. Payments and Distributions on Disputed Claims. Except as otherwise provided in the Plan, a Final Order or as agreed to by the relevant parties, distributions under the Plan on account of Disputed Claims that become Allowed after the Effective Date shall be made as soon as reasonably practicable after the Disputed Claim becomes an Allowed Claim; provided, however, that (a) Disputed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases or assumed by the Debtors on or before the Effective Date that become Allowed after the Effective Date shall be paid or performed in the ordinary course of business in accordance with the terms and conditions of any controlling agreements, course of dealing, course of business, or industry practice and (b) Disputed Priority Tax Claims that become Allowed Priority Tax Claims after the Effective Date, unless otherwise agreed, shall be paid in accordance with Article II.C.

2. Special Rules for Distributions to Holders of Disputed Claims. Notwithstanding any provision otherwise in the Plan and except as otherwise agreed by the relevant parties: (a) no partial payments and no partial distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order; and (b) any Entity that holds both an Allowed Claim and a Disputed Claim shall not receive any distribution on the Allowed Claim (except to the extent such Allowed Claim is expressly Allowed pursuant to the Plan) unless and until all objections to the Disputed Claim have been resolved by settlement or Final Order and the Claims have been Allowed.

C. Delivery of Distributions

1. Record Date for Distributions. On the Effective Date, the Claims Register shall be closed and the Distribution Agent shall be authorized to recognize only those record Holders listed on the Claims Register as of the close of business on the Effective Date. Notwithstanding the foregoing, if a Claim or Interest, other than one based on a publicly-traded certificate, is transferred twenty or fewer days before the Effective Date, the Distribution Agent shall make distributions to the transferee only to the extent practical and in any event only if the relevant transfer form contains an unconditional and explicit certification and waiver of any objection to the transfer by the transferor.

2. Distribution Agent. The Distribution Agent shall make all distributions required under the Plan, except that distributions to Holders of Allowed Claims and Interests governed by a separate agreement and administered by a Servicer may be deposited by the Reorganized Debtors with the appropriate Servicer, at which time such distributions shall be deemed complete, and the Servicer shall deliver such distributions in accordance with the Plan and the terms of the governing agreement; provided, that, distributions to Holders of Secured Note Claims as provided under the Plan shall be made by (a) the Indenture Trustee or (b) with consent of the Indenture Trustee, through the facilities of the DTC or, if applicable, a Third Party Distribution Agent. Each Distribution Agent will serve without bond and any Distribution Agent may employ or contract with other Entities to assist in or make the distributions required under the Plan. The duties of any Third Party Distribution Agent shall be set forth in the applicable agreement retaining such Third Party Distribution Agent.

3. Delivery of Distributions in General. Except as otherwise provided in the Plan, and notwithstanding any authority to the contrary, distributions to Holders of Allowed Claims and Interests shall be made to Holders of record as of the Effective Date by the Distribution Agent or a Servicer, as appropriate: (a) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004; (b) to the signatory set forth on any of the Proofs of Claim or Interest Filed by such Holder or other representative identified therein (or at the last known addresses of such Holder if no Proof of Claim or Interest is Filed or if the Debtors have been notified in writing of a change of address); (c) at the addresses set forth in any written notices of address changes delivered to the Distribution Agent after the date of any related Proof of Claim or Interest; or (d) at the addresses reflected in the Schedules if no Proof of Claim or Interest has been Filed and the Distribution Agent has not received a written notice of a change of address. The Debtors, the Reorganized Debtors, and the Distribution Agent, as applicable, shall not incur any liability whatsoever on account of any distributions under the Plan except for gross negligence or willful misconduct.

4. Compliance Matters. In connection with the Plan, to the extent applicable, the Reorganized Debtors and the Distribution Agent shall comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the

contrary, the Reorganized Debtors and the Distribution Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, liens, and encumbrances.

5. Undeliverable Distributions. If any distribution to a Holder of an Allowed Claim or Interest is returned to a Distribution Agent as undeliverable, no further distributions shall be made to such Holder unless and until such Distribution Agent is notified in writing of such Holder's then-current address, at which time all currently due missed distributions shall be made to such Holder as soon as reasonably practicable thereafter. Undeliverable distributions shall remain in the possession of the Reorganized Debtors until such time as a distribution becomes deliverable, or such distribution reverts to the Reorganized Debtors and shall not be supplemented with any interest, dividends or other accruals of any kind.

6. Reversion. Any distribution under the Plan that is an Unclaimed Distribution for a period of six (6) months after distribution shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and such Unclaimed Distribution shall revert in the Reorganized Debtors. Upon such reversion, the Claim or Interest of any Holder or its successors with respect to such property shall be cancelled, discharged, and forever barred notwithstanding any applicable federal or state escheat, abandoned or unclaimed property laws to the contrary. The provisions of the Plan regarding undeliverable distributions and Unclaimed Distributions shall apply with equal force to distributions that are issued by the Debtors, made pursuant to any indenture or Certificate (but only with respect to the distribution by the Servicer to Holders that are entitled to be recognized under the relevant indenture or Certificate and not with respect to Entities to whom those recognized Holders distribute), notwithstanding any provision in such indenture or Certificate to the contrary and notwithstanding any otherwise applicable federal or state escheat, abandoned or unclaimed property law.

7. Manner of Payment Pursuant to the Plan. Any payment in Cash to be made pursuant to the Plan shall be made at the election of the Reorganized Debtors by check or by wire transfer. Checks issued by the Distribution Agent or applicable Servicer on account of Allowed Claims and Interests shall be null and void if not negotiated within ninety (90) days after issuance, but may be requested to be reissued until the distribution reverts in the Reorganized Debtors.

8. Surrender of Cancelled Instruments or Securities. On the Effective Date or as soon as reasonably practicable thereafter, each Holder of a Certificate shall be deemed to have surrendered such Certificate to the Distribution Agent or a Servicer (to the extent the relevant Claim or Interest is governed by an agreement and administered by a Servicer). Such surrendered Certificate shall be cancelled solely with respect to the Debtors, and such cancellation shall not alter the

obligations or rights of any non-Debtor third parties vis-à-vis one another with respect to such Certificate. Notwithstanding anything to the contrary herein, this paragraph shall not apply to Certificates evidencing Claims that are rendered Unimpaired under the Plan.

9. No Fractional Shares. There shall be no distribution of fractional shares of New Common Stock or New Preferred Stock. Where a fractional share of New Common Stock or New Preferred Stock would otherwise be called for, the actual issuance shall reflect a rounding down of such fraction.

D. No Postpetition Interest

Postpetition interest shall not accrue or be paid on any Claims against the Debtors, and no Holder of any such Claim against the Debtors shall be entitled to payment or distributions on account of interest accruing on or after the Petition Date.

E. Claims Paid or Payable by Third Parties

Claims paid by Third Parties. The Notice, Claims and Solicitation Agent shall reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or Reorganized Debtor Subject to the last sentence of this paragraph, to the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor or a Reorganized Debtor on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Reorganized Debtor, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Reorganized Debtor annualized interest at the federal judgment rate in effect on the Petition Date on such amount owed for each Business Day after the two weeks grace period specified above until the amount is repaid.

F. Allocation Between Principal and Accrued Interest

Except as otherwise provided in the Plan, the aggregate consideration paid to Holders with respect to their Allowed Claims shall be treated pursuant to the Plan as allocated first to the principal amount of such Allowed Claim (to the extent thereof) and, thereafter, to the interest, if any, accrued through the Effective Date.

G. Minimum Distribution

Any other provision of the Plan notwithstanding, the Distribution Agent will not be required to make distributions of Cash less than \$50 in value or of New Common Stock less than \$50 in value, and each such Claim to which this limitation applies shall be discharged pursuant to Article IX.B, and its Holder forever barred

pursuant to Article IX.I from asserting that Claim against the Reorganized Debtors or their property.

H. General Unsecured Claims Distribution Account

On or as reasonably practicable after the Effective Date, the Debtors shall establish and fund the General Unsecured Claims Distribution Escrow Account, which shall be an escrow account separate and apart from the Debtors' general operating funds to be maintained in trust for the benefit of Holders of Allowed Class 5 General Unsecured Claims and funded in the amount of \$1.1 million. Cash held in the General Unsecured Claims Escrow Account shall not constitute property of the Debtors or the Reorganized Debtors. Distributions from the General Unsecured Claims Distribution Escrow Account to Holders of Allowed Class 5 General Unsecured Claims shall be made in accordance with the provisions governing distributions set forth in Article VII. The General Unsecured Claims Distribution Escrow Account may be an interest-bearing account.

**ARTICLE VII.
PROCEDURES FOR RESOLVING DISPUTED,
CONTINGENT AND UNLIQUIDATED CLAIMS OR EQUITY INTERESTS**

A. Allowance of Claims and Interests

Except as expressly provided herein, or in any order entered in the Chapter 11 Cases prior to the Effective Date, including the Confirmation Order, no Claim or Interest shall be deemed Allowed unless and until such Claim or Interest is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Cases allowing such Claim. Prior to and following the Effective Date, each Reorganized Debtor shall have and retain any and all rights and defenses such Debtor had with respect to any Claim or Interest immediately prior to the Effective Date.

B. Claims and Interests Administration Responsibilities

Except as otherwise specifically provided in the Plan, the Debtors, prior to the Effective Date, and the Reorganized Debtors, after the Effective Date, shall have the sole authority: (1) to file, withdraw or litigate to judgment, objections to Claims or Interests; (2) to settle or compromise any Disputed Claim without any further notice to or action, order or approval by the Bankruptcy Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval by the Bankruptcy Court.

C. Estimation of Claims and Interests

Before or after the Effective Date, the Debtors or Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim or Interest that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has

ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim or Interest, including during the litigation of any objection to any Claim or Interest or during the appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim or Interest that has been expunged from the Claims Register, but that neither is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim or Interest, that estimated amount shall constitute a maximum limitation on such Claim or Interest for all purposes under the Plan (including for purposes of distributions), and the relevant Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim or Interest.

D. Disallowance of Claims or Interests

Any Claims or Interests held by Entities from which property is recoverable under section 542, 543, 550, or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549 or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and Holders of such Claims and Interests may not receive any distributions on account of such Claims and Interests until such time as such Debtor Causes of Action against that Entity have been settled or an order of the Bankruptcy Court with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Reorganized Debtors. All Claims Filed on account of an Indemnification Obligation to a director, officer or employee shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent such Indemnification Obligation is assumed (or honored or reaffirmed, as the case may be) pursuant to the Plan.

E. Preservation of Debtors' Rights and Defenses Pending Allowance of Claims

Except as expressly provided herein or in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim shall be deemed Allowed unless and until such Claim is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order (including the Confirmation Order) in the Chapter 11 Cases allowing such Claim. Except as expressly provided in the Plan or any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), the Reorganized Debtors will have and shall retain after the Effective Date any and all rights and defenses that the Debtors had with respect to any Claim as of the Petition Date. All Claims of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed disallowed as of the Effective Date unless and until such Entity pays in full the amount that it owes such Debtor or Reorganized Debtor, as the case may be.

**ARTICLE VIII.
CONDITIONS PRECEDENT TO
CONFIRMATION AND THE EFFECTIVE DATE**

A. Conditions Precedent to Confirmation

It shall be a condition precedent to Confirmation of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article VIII.C hereof:

(i) The Bankruptcy Court shall have entered an order by January 7, 2011 in form and substance satisfactory to the Backstop Parties approving the Disclosure Statement with respect to the Plan as containing adequate information within the meaning of section 1125 of the Bankruptcy Code.

(ii) The Plan, the Plan Supplement and all of the schedules, documents, and exhibits contained therein (including, but not limited to, the Exit Financing) shall have been Filed in form and substance acceptable to the Backstop Parties.

(iii) The proposed Confirmation Order shall be in form and substance acceptable to the Backstop Parties.

(iv) The Restructuring Support Agreement and Commitment Letter shall be in full force and effect and shall not have been terminated;

B. Conditions Precedent to the Effective Date

The following are conditions precedent to the Effective Date that must be satisfied or waived in accordance with Article VIII.C hereof:

(i) The Confirmation Order, in form and substance satisfactory to each of the Debtors and the Backstop Parties in their sole discretion, shall have been entered on or before February 7, 2010 and shall be a Final Order;

(ii) The Reorganized Debtors shall have entered into the Exit Financing Agreement, in form and substance satisfactory to the Backstop Parties, and such agreement shall be consummated on the Effective Date; provided, that, in the event the Reorganized Debtors pursue an alternative exit financing facility the DIP Facility shall be repaid in Cash in full on the Effective Date;

(iii) The Debtors shall have conducted the Rights Offering consistent with the Plan and the Rights Offering Procedures and shall have received the proceeds of the Rights Offering and/or the Backstop Commitment, as applicable, on or prior to Effective Date;

(iv) The Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions or documents that are necessary to implement the Plan and required

by law, regulation or order;

- (v) All actions, documents, certificates, and agreement necessary to implement the Plan shall have been effected and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws;
- (vi) All fees and expenses of the Backstop Parties, including any outstanding fees and expenses of the Backstop Party Professionals, shall have been paid as required by the Approval Order, the Plan and the Commitment Letter;
- (vii) The New Shareholders' Agreement shall be in full force and effect and binding on all persons receiving New Preferred Stock and/or New Common Stock and the Company pursuant to the Plan;
- (viii) There shall have been no modification or stay of the Confirmation Order or entry of other court order prohibiting transactions contemplated by the Plan from being consummated; and
- (ix) The Effective Date shall have occurred on or prior to February 18, 2011.

C. Waiver of Conditions

Unless otherwise specified in the Plan, the conditions set forth in Articles VIII.A and VIII.B of the Plan may be waived, in whole or in part, by the Debtors and each of the Backstop Parties, without notice to any other parties-in-interest or the Bankruptcy Court and without a hearing.

D. Non-Occurrence of Conditions

If the conditions precedent specified in Article VIII.B. have not been satisfied or waived, the Debtors may determine, upon notice to the Bankruptcy Court, that the Plan is null and void in all respects, and nothing contained in the Plan, the Confirmation Order or the Disclosure Statement shall: (1) constitute a waiver or release of any Cause of Action or Claim *by any party*; (2) constitute an admission, acknowledgment, offer or undertaking in any respect by any party, including the Debtors; or (3) otherwise prejudice in any manner the rights of any party, including the Debtors.

**ARTICLE IX.
RELEASE, INJUNCTIVE AND RELATED PROVISIONS**

A. Binding Effect; Plan Binds All Holders of Claims and Equity Interests

1. On the Effective Date, and effective as of the Effective Date, the Plan shall, and shall be deemed to, be binding upon the Debtors and all present and former Holders of Claims against and Equity Interests in any Debtor, and their respective Related Persons, regardless of whether any such Holder of a Claim or Equity Interest

has voted or failed to vote to accept or reject the Plan.

2. Further, pursuant to section 1142 of the Bankruptcy Code and in accordance with the Confirmation Order, the Debtors and any other necessary party, including without limitation, the Indenture Trustee, the DIP Agent, and any Holder of Secured Note Claims, shall execute, deliver and join in the execution or delivery (as applicable) of any instrument, document or agreement required to effect a transfer of property, a satisfaction of a Lien or a release of a Claim dealt with by the Plan and to perform any other act, including without limitation the execution of documents necessary to effectuate the Exit Financing Agreement, the New Shareholders' Agreement and all other documents set forth or contemplated in the Plan or Plan Supplement, that are necessary for the consummation of the Plan and the transactions contemplated herein.

B. Discharge of Claims and Termination of Interests

To the fullest extent provided under section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in full and final satisfaction, settlement, release, and discharge, effective as of the Effective Date, of all Claims, Interests, and Causes of Action (other than Debtor Causes of Action to the extent not released pursuant to the Plan, which shall be preserved) of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors, the Reorganized Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action (other than Debtor Causes of Action to the extent not released pursuant to the Plan, which shall be preserved) that arose before the Effective Date, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or Interest based upon such Claim, debt, right, or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such Claim, debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all Claims and Interests subject to the Effective Date occurring, except as otherwise expressly provided in the Plan.

C. Subordinated Claims

The classification and manner of satisfying all Claims and Equity Interests under the Plan take into consideration all subordination rights, whether arising by contract or under general principles of equitable subordination, section 510(b) or 510(c) of the Bankruptcy Code or otherwise. All subordination rights that a Holder of a Claim or Equity Interest may have with respect to any distribution to be made pursuant to the Plan will be discharged and terminated and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions

pursuant to the Plan to Holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights; provided, however, that nothing contained herein shall preclude any Person or Entity from exercising their rights pursuant to and consistent with the terms of the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered under or in connection with the Plan.

D. Compromise and Settlement of Claims, Interests, and Controversies

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest, or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests, and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests and is fair, equitable, and reasonable. After the Effective Date, the Reorganized Debtors may, and shall have the exclusive right to, compromise and settle any Claims against them and any Debtor Causes of Action they may have against any other Person or Entity without notice to or approval from the Bankruptcy Court, including, without limitation, any and all derivative actions pending or otherwise existing against the Debtors as of the Effective Date.

E. Debtor Release

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors and any Person seeking to exercise the rights of the Debtors' Estates, including, without limitation, any successor to the Debtors or any Estate representative appointed or selected pursuant to section 1123(b)(3) of the Bankruptcy Code, shall be deemed to unconditionally and forever release, waive and discharge all Debtor Causes of Action against each of the Released Parties in connection with or related to the Debtors, the Reorganized Debtors, the Chapter 11 Cases, the Plan (other than the rights of the Debtors to enforce the Plan and the contracts, releases, indentures, and other agreements or documents delivered thereunder), the Exchange Offer, the Commitment Letter (other than the rights of the Debtors to enforce the Plan and the contracts, releases, indentures, and other agreements or documents delivered thereunder) or the Restructuring Support Agreement (other than the rights of the Debtors to enforce the Plan and the contracts, releases, indentures, and other agreements or documents delivered thereunder) that are based in whole or in part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date in any way relating to the Debtors, the Reorganized Debtors, the Chapter 11 Cases, the Plan, the Commitment Letter or the Restructuring Support Agreement, and that may be asserted by the Debtors in their individual capacities or on behalf (whether directly or derivatively) of the Debtors or their Estates, in each case without further notice to or order of the

Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person; provided that the foregoing shall not operate as a waiver or release from any Debtor Causes of Action arising out of the acts or omissions constituting actual or intentional fraud, gross negligence, willful misconduct or criminal conduct as determined by a Final Order entered by a court of competent jurisdiction.

F. Releases by Holders of Claims

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, each Holder of a Claim against the Debtors (including any Holder of a Secured Note Claim) that votes to accept the Plan and each Holder of a Claim against the Debtors (including any Holder of a Secured Note Claim) that abstains from voting on the Plan and does not opt out of this release (each a "Releasing Claimholder") shall be deemed to unconditionally and forever release, waive, and discharge each of the Released Parties from any Causes of Action in connection with or related to the Debtors, the Reorganized Debtors, the Chapter 11 Cases, the Plan (other than the rights of such Releasing Claimholder to enforce the Plan and the contracts, releases, indentures, and other agreements or documents delivered thereunder), the Exchange Offer, the Commitment Letter (other than the rights of such Releasing Claimholder to enforce the Plan and the contracts, releases, indentures, and other agreements or documents delivered thereunder) or the Restructuring Support Agreement (other than the rights of such Releasing Claimholders to enforce the Plan and the contracts, releases, indentures, and other agreements or documents delivered thereunder) that are based in whole or part on any act, omission, transaction, event, or other occurrence taking place on or prior to the Effective Date which could have been asserted by the Holders of Claims, in each case without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or the vote, consent, authorization or approval of any Person; provided, however, that the foregoing shall not operate as a waiver or release from any Causes of Action arising out of the acts or omissions constituting actual or intentional fraud, gross negligence, willful misconduct or criminal conduct as determined by a Final Order entered by a court of competent jurisdiction.

G. Exculpation

The Released Parties and the Committee and the Committee's Related Persons shall not have or incur any liability to, or be subject to any right of action by, any Holder of any Claim against or an Equity Interest in the Debtors, or any other party in interest, or any of their respective Related Persons, for any act or omission in connection with, or arising out of, the Chapter 11 Cases, formulating, negotiating, or implementing the Exchange Offer, the Restructuring Support Agreement, the Commitment Letter, and the Plan, the solicitation of acceptances of the Plan, the confirmation of the Plan, the consummation of the Plan or the administration of the Plan or the property to be distributed under the Plan, the offer and issuance of any securities under the Plan, except for acts or omissions constituting actual or intentional fraud, gross negligence, willful misconduct or criminal conduct as determined by a Final Order entered by a court of competent jurisdiction. For the

avoidance of doubt, to the extent not prohibited by applicable law, the Backstop Parties shall have no liability to any Person in connection with the Rights Offering other than those obligations expressly set forth in the Commitment Letter and the Plan.

H. Indemnification

On and from the Effective Date, and except as prohibited by applicable law, the Reorganized Debtors shall assume all indemnification obligations currently in place, whether in the bylaws, certificates of incorporation (or other formation documents), board resolutions, employment contracts or other agreements for the current and former directors, officers, managers, employees, attorneys, other professionals and agents of the Debtors and such current and former directors', officers', managers', and employees' respective Affiliates (collectively, the "*Indemnified Parties*"). Without limiting the foregoing and except as prohibited by applicable law, the Debtors shall indemnify and hold harmless, except as provided in the Plan Supplement, each of the Indemnified Parties for all costs, expenses, loss, damage or liability incurred by any such Indemnified Party arising from or related in any way to any and all Debtor Causes of Action whether known or unknown, whether for tort, fraud, contract, violations of federal or state securities laws or otherwise, including any claims or causes of action, whether direct or derivative, liquidated or unliquidated, fixed or contingent, disputed or undisputed, matured or unmatured, known or unknown, foreseen or unforeseen, asserted or unasserted, based in whole or in part upon any act or omission, transaction or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way to the Debtors, including those arising from or related in any way to: (1) any action or omission of any such Indemnified Party with respect to any indebtedness of or any Equity Interest in the Debtors (including any action or omission of any such Indemnified Party with respect to the acquisition, holding, voting or disposition of any such investment); (2) any action or omission of any such Indemnified Party in such Indemnified Party's capacity as an officer, director, member, employee, partner or agent of, or advisor to any Debtor; (3) any disclosure made or not made by any Indemnified Party to any current or former Holder of any such indebtedness of or any such Equity Interest in the Debtors; (4) any consideration paid to any such Indemnified Party by any of the Debtors in respect of any services provided by any such Indemnified Party to any Debtor; and (5) any action taken or not taken in connection with the Chapter 11 Cases or the Plan. In the event that any such Indemnified Party becomes involved in any action, proceeding or investigation brought by or against any Indemnified Party, as a result of matters to which the foregoing "Indemnification" may relate, the Reorganized Debtors shall promptly reimburse any such Indemnified Party for its reasonable and documented legal and other expenses (including the cost of any investigation and preparation) incurred in connection therewith as such expenses are incurred and after a request for indemnification is made in writing, with reasonable documentation in support thereof; provided, however, that, notwithstanding anything herein to the contrary, the Debtors shall not indemnify any of the Non-Released Parties, whether for any matter to which this Article IX.H pertains or otherwise.

I. Injunction

Except as otherwise provided in the Plan or in any document, instrument, release or other agreement entered into in connection with the Plan or approved by order of the Bankruptcy Court, the Confirmation Order shall provide, among other things, that from and after the Effective Date all Persons or Entities who have held, hold, or may hold Claims against or Equity Interests in the Debtors are (i) permanently enjoined from taking any of the following actions against the Estate(s), the Released Parties or any of their respective property on account of any such Claims or Equity Interests and (ii) permanently enjoined from taking any of the following actions against any of the Debtors, the Reorganized Debtors, the Released Parties or their respective property on account of such Claims or Equity Interests: (A) commencing or continuing, in any manner or in any place, any action or other proceeding; (B) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (C) creating, perfecting, or enforcing any Lien or encumbrance; (D) asserting a setoff or right of subrogation of any kind against any debt, liability or obligation due to the Debtors; and (E) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan; provided, however, that nothing contained herein shall preclude such Persons or Entities from exercising their rights pursuant to and consistent with the terms of the Plan and the contracts, instruments, releases, indentures and other agreements or documents delivered under or in connection with the Plan.

By accepting distributions pursuant to the Plan, each Holder of an Allowed Claim will be deemed to have specifically consented to the injunctions set forth in this Article IX.I.

J. Setoffs

Except as otherwise provided herein, each Reorganized Debtor pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable bankruptcy or non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, may set off against any Allowed Claim (other than DIP Facility Claims or Prepetition Credit Agreement Secured Claims) or Interest and the distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before any distribution is made on account of such Allowed Claim or Interest), any Claims, rights, and Debtor Causes of Action of any nature that such Debtor or Reorganized Debtor, as applicable, may hold against the Holder of such Allowed Claim or Interest, to the extent such Claims, rights, or Debtor Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by such Reorganized Debtor of any such Claims, rights, and Debtor Causes of Action that such Reorganized Debtor may possess against such Holder.

K. Release of Liens

Except as otherwise provided herein, or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the applicable Reorganized Debtor and its successors and assigns.

ARTICLE X.

ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS

A. Professional Claims

1. **Final Fee Applications.** All final requests for Professional Compensation and Reimbursement Claims shall be Filed no later than 45 days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Professional Compensation and Reimbursement Claims shall be determined by the Bankruptcy Court.

2. **Payment of Interim Amounts.** Except as otherwise provided in the Plan, Retained Professionals shall be paid pursuant to the Interim Compensation Order.

3. **Post-Effective Date Fees and Expenses.** Except as otherwise specifically provided in the Plan, from and after the Effective Date, each Reorganized Debtor shall pay in Cash the reasonable legal fees and expenses incurred by that Reorganized Debtor after the Effective Date in the ordinary course of business and without any further notice to or action, order or approval of the Bankruptcy Court. Upon the Effective Date, any requirement that Retained Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and each Reorganized Debtor may employ and pay any Retained Professional in the ordinary course of business without any further notice to or action, order or approval of the Bankruptcy Court.

4. **Substantial Contribution Compensation and Expenses.** Except as otherwise specifically provided in the Plan, any Entity that requests compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code must File an application and serve such application on counsel for the Debtors or Reorganized Debtors, as applicable, by no later than the Administrative Claims Bar Date and as otherwise required by the Bankruptcy Court, the Bankruptcy Code, and the Bankruptcy Rules.

B. Other Administrative Claims

All requests for payment of an Administrative Claim must be Filed with the Notice, Claims and Solicitation Agent and served upon counsel to the Debtors or Reorganized Debtors, as applicable, by the Administrative Claims Bar Date. The Reorganized Debtors may settle and pay any Administrative Claim in the ordinary course of business without any further notice to or action, order, or approval of the Bankruptcy Court. In the event that any party with standing objects to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order.

**ARTICLE XI.
RETENTION OF JURISDICTION**

Pursuant to sections 105(c) and 1142 of the Bankruptcy Code and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court will retain jurisdiction over all matters arising in, arising under and/or related to the Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- (i) allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Expense Claim and the resolution of any objections to the allowance or priority of Claims or Equity Interests;
- (ii) resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;
- (iii) ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
- (iv) decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;
- (v) enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents created in connection with the Plan, the Disclosure Statement or the Confirmation Order;

- (vi) resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan, including, without limitation, any other contract, instrument, release or other agreement or document that is executed or created pursuant to the Plan, or any Entity's rights arising from or obligations incurred in connection with the Plan or such documents;
- (vii) modify the Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or modify the Confirmation Order, or any contract, instrument, release or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan;
- (viii) hear and determine all applications for compensation and reimbursement of expenses of Professionals under the Plan or under sections 327, 330, 331, 363, 503(b), 1103 and 1129(c)(9) of the Bankruptcy Code; provided, however, that from and after the Effective Date the payment of fees and expenses of the Reorganized Debtors, including counsel fees, shall be made in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;
- (ix) issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with consummation, implementation or enforcement of the Plan or the Confirmation Order;
- (x) hear and determine causes of action by or on behalf of the Debtors or the Reorganized Debtors;
- (xi) hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- (xii) hear and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked or

vacated, or distributions pursuant to the Plan are enjoined or stayed;

- (xiii) determine any other matters that may arise in connection with or related to the Plan, the Confirmation Order or any contract, instrument, release (including the releases in favor of the Released Parties) or other agreement or document created in connection with the Plan or the Confirmation Order;
- (xiv) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases;
- (xv) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and
- (xvi) enter orders closing the Chapter 11 Cases.

ARTICLE XII. MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect

Notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors, and any and all Holders of Claims or Interests (irrespective of whether Holders of such Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromise s, releases, discharges, and injunctions described in the Plan or herein, each Entity acquiring property under the Plan and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

B. Payment of Statutory Fees

All fees payable pursuant to section 1930(a) of the Judicial Code, as determined by the Bankruptcy Court at a hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed or closed, whichever occurs first.

C. Modification of Plan

Subject to the approval of each Backstop Party: (1) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Debtors or the Reorganized Debtors, as the case may be, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance

with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

D. Revocation of Plan

Subject to the terms of the Restructuring Support Agreement, the Debtors reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date and to File subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if confirmation or consummation as to any or all of the Debtors does not occur, then, with respect to such Debtors, except as otherwise provided by the Debtors, (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Equity Interest or Class of Claims or Equity Interests), assumption or rejection of executory contracts or leases affected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against, or any Equity Interests in, such Debtors or any other Person or Entity, (ii) prejudice in any manner the rights of such Debtors or any other Person or Entity or (iii) constitute an admission of any sort by the Debtors or any other Person or Entity.

E. Reservation of Rights

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. None of the Filing of the Plan, any statement or provision contained in the Plan, or the taking of any action by any Debtor with respect to the Plan, the Disclosure Statement, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders of Claims or Interests prior to the Effective Date.

F. Successors and Assigns

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, affiliate, officer, director, agent, representative, attorney, beneficiaries or guardian, if any, of each Entity.

G. Service of Documents

After the Effective Date, any pleading, notice, or other document required by the Plan to be served on or delivered to the Reorganized Debtors shall be served on:

Debtors	Counsel to Debtors
Loehmann’s Holdings, Inc. 2500 Halsey Street Bronx, New York 10461 Attn: Chief Executive Officer With a copy to each Backstop Party and its Counsel:	Togut Segal & Segal LLP One Penn Plaza, Suite 3335 New York, New York 10119 Fax: (212) 967-4258 Attn: Frank A. Oswald, Esq.
Backstop Parties	Counsel to Backstop Parties
Whippoorwill Associates, Inc. 11 Martine Avenue, 11 th Floor White Plains, New York 10606 Attn: Steven Gendal With a copy to its General Counsel at the same address Istithmar Retail Investments, The Galleries Limitless Building No. 4, Level 6 Jebel Ali, Dubai United Arab Emirates Fax: +971 4 390 2100 Attn: Chief Executive Officer and General Counsel	Gibson, Dunn & Crutcher LLP 200 Park Avenue New York, New York 10166 Fax: (212) 351-5208 Attn: Robert L. Cunningham, Esq. Matthew J. Williams, Esq. Cleary Gottlieb Steen & Hamilton LLP One Liberty Plaza New York, New York 10006 Fax: (212) 225-3999 Attn: Sean A. O’Neal, Esq.

H. Term of Injunctions or Stays

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

I. Entire Agreement

On the Effective Date, the Plan and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

J. Governing Law

Except to the extent that the Bankruptcy Code, the Bankruptcy Rules or other federal law is applicable, or to the extent that an exhibit or schedule to the Plan

provides otherwise, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of New York, without giving effect to the principles of conflicts of law of such jurisdiction.

K. Exhibits

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. Except as otherwise provided in the Plan, such exhibits and documents included in the Plan Supplement shall be filed with the Bankruptcy Court on or before the Plan Supplement Filing Date. After the exhibits and documents are Filed, copies of such exhibits and documents shall have been available upon written request to the Debtor s' counsel at the address above or by downloading such exhibits and documents from the Debtors' private website at <http://www.kccllc.net/loehmanns> or the Bankruptcy Court's website at www.nysb.uscourts.gov. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

L. Nonseverability of Plan Provisions upon Confirmation

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the consent of the Debtors and the Backstop Parties; and (3) nonseverable and mutually dependent.

M. Closing of Chapter 11 Cases

The Reorganized Debtors shall, promptly File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court to close the Chapter 11 Cases.

N. Conflicts

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement, the Plan Supplement, or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, appendices, supplements, or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Plan shall govern and control.

O. Dissolution of Committee

On the Effective Date, the Committee shall dissolve, and the members thereof shall be released and discharged from all rights and duties arising from, or related to, the Chapter 11 Cases; provided, however, that after the entry of the Confirmation Order, the Committee's functions shall be restricted to, and the Committee shall not be heard on any issue except, obtaining a Final Order of the Bankruptcy Court authorizing or approving Accrued Professional Compensation of its Retained Professionals.

P. Section 1125(e) Good Faith Compliance

The Debtors, Reorganized Debtors and the Committee, and each of their respective Representatives, shall be deemed to have acted in "good faith" under section 1125(e) of the Bankruptcy Code.

[Concluded on Following Page]

Q. No Stay of Confirmation Order

The Confirmation Order shall contain a waiver of any stay of enforcement otherwise applicable, including pursuant to Bankruptcy Rule 3020(e) and 7062.

Respectfully submitted, as of the date first set forth above,

LOEHMANN'S HOLDINGS, INC.

By: /s/ Joseph Melvin
Name: Joseph Melvin
Title: Chief Operating Officer / Chief
Financial Officer

LOEHMANN'S HOLDINGS, INC.

By: /s/ Joseph Melvin
Title: Chief Operating Officer / Chief
Financial Officer

LOEHMANN'S, INC.

By: /s/ Joseph Melvin
Title: Chief Operating Officer / Chief
Financial Officer

**LOEHMANN'S REAL ESTATE HOLDINGS
INC.**

By: /s/ Joseph Melvin
Title: Chief Operating Officer / Chief
Financial Officer

LOEHMANN'S OPERATING CO.

By: /s/ Joseph Melvin
Title: Chief Operating Officer / Chief
Financial Officer

LOEHMANN'S CAPITAL CORP.

By: /s/ Joseph Melvin
Title: Chief Operating Officer / Chief
Financial Officer