

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: : Chapter 11

:

FUHU, INC., *et al.*,¹ : Case No. 15-12465 (CSS)

:

Debtors. : Jointly Administered

:

: Committee’s Objection Deadline: Dec. 28, 2015 at 4:00 p.m. ET

: Hearing Date: December 30, 2015 at 9:30 a.m. ET

: Related to Docket Nos. 4 & 50

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LIMITED OBJECTION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS TO MOTION OF DEBTORS FOR ORDER: (A) APPROVING BIDDING PROCEDURES FOR THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS’ OPERATING ASSETS, (B) SCHEDULING AN AUCTION AND SALE HEARING, (C) APPROVING BID PROTECTIONS, AND (D) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Official Committee of Unsecured Creditors (the “Committee”) of Fuhu, Inc. and its debtor affiliates (collectively, the “Debtors”), by and through its proposed counsel, hereby submits this limited objection (the “Limited Objection”) to Motion of Debtors for Order: (A) Approving Bidding Procedures (the “Proposed Bid Procedures”) for the Sale of Substantially All of the Debtors’ Operating Assets, (B) Scheduling an Auction and Sale Hearing, (c) Approving Bid Protections, and (D) Approving Procedures for the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases (the “Bid Procedures Motion,” D.I. 4), and respectfully represents as follows:

¹ The Debtors, together with the last four digits of each Debtor’s tax identification number, are: Fuhu, Inc. (7896); Fuhu Holdings, Inc. (9761); Fuhu Direct, Inc. (2180); and Nabi, Inc. (4119). The location of the headquarters is 1700 E. Walnut Avenue, Suite 500, El Segundo, CA 90245.



PRELIMINARY STATEMENT²

The Committee does not believe that liquidating the Debtors now would be in the best interests of the estates and their creditors. Accordingly, the Committee supports a sale process. However, supporting a process does not mean that the Committee will support any transaction that continues the company as a going concern. While the Committee recognizes that the virtues and vices of the Stalking Horse Agreement are not before the Court at the hearing on the Bid Procedures Motion, the Committee has identified certain infirmities in the agreement that would need to be corrected, whether by Mattel or as a result of a spirited bidding process, in order in order to garner the Committee's support for a sale.

Any buyer must provide sufficient consideration for the Debtors' assets and be responsible for certain liabilities as described herein so that the estates are not left holding the bag. In addition, (i) purchase price adjustments should be limited, (ii) any transaction should not be contingent upon obtaining third party consents, (iii) the Debtors should not be liable for cure payments for contracts from which a purchaser seeks to benefit, (iv) claims and causes of action, including those against the Debtors' directors and officers, should not be purchased, and (v) warranty obligations and other customer programs related to products sold prior to closing should be assumed.

In addition, the Committee has identified various aspects of the Proposed Bid Procedures which could chill bidding, negatively impact the process and diverge from the Debtors' stated goal of maximizing value for the benefit of the estates. Most significantly, the Stalking Horse Bidder has the ability to credit bid its Bid Protection *plus* the amount of the Mattel Loan, for an

² Capitalized terms used but not defined in the Preliminary Statement shall have the respective meanings ascribed to them in this Limited Objection.

effective \$800,000 overbid, which constitutes approximately 8.4% of the purchase price (without accounting for likely downward adjustments and bid modifications described further herein). Moreover, the Bid Protection, as a percentage of the face value of the purchase price, is high, and is even higher when certain assets which provide no net benefit to the estates (cash and cash equivalents) are excluded and when purchase price adjustments are made. Together, the Committee submits these aspects of the Proposed Bid Procedures will undoubtedly chill bidding at the Auction and may dissuade potential bidders from submitting a bid at all.

BACKGROUND

The Debtors' Prepetition Capital Structure

1. The Debtors are parties to a credit facility with Obsidian Agency Services, Inc., as agent for Tennenbaum Special Situations Fund IX, LLC and Tennenbaum Special Situations IX-O, L.P. (collectively, "Tennenbaum") dated May 27, 2015 (the "Prepetition Credit Agreement"). The Debtors maintain that the obligations under the Prepetition Credit Agreement are secured by a first priority security interest in substantially all of the assets of the Debtors other than accounts receivable, as well as a second priority security interest in the Debtors' accounts receivable. As of November 25, 2015, Tennenbaum asserted that approximately \$6.5 million was outstanding under the Prepetition Credit Agreement, comprised of approximately \$5.4 million in principal, approximately \$65,000 in accrued interest, a yield-enhancement fee of \$400,000 and an early-termination fee of \$700,000.³

2. LSQ Funding Group, L.C. ("LSQ") factored certain of the Debtors' accounts receivable under a Factoring and Security Agreement dated April 21, 2015. According to the

³ The Committee reserves all of its rights to challenge any of the purportedly secured debt owed by the Debtors including, but not limited to, the Tennenbaum yield-enhancement fee and early termination fee.

Debtors, LSQ holds a first priority security interest in all of the Debtors' receivables, although it factored only a limited subset of those receivables. As of the Petition Date, approximately \$1.3 million was owed to LSQ on account of the factored receivables.

3. The Debtors may have granted two related suppliers, Fusing International, Inc. and Hon Hai Precision Industry Co., Ltd. (collectively, "Foxconn")⁴ purchase money security interests in approximately 35,000 tablets sold by Foxconn to the Debtors in October, 2015. According to the Debtors, the outstanding balance owed to Foxconn from that transaction is approximately \$2 million.

4. On or about December 4, 2015, Mattel, Inc. ("Mattel" or the "Stalking Horse Bidder") made a loan to the Debtors (the "Mattel Loan"). According to the Debtors, \$300,000 is owed on account of this loan, which is secured by substantially all of the Debtors' assets. Upon information and belief, the Mattel Loan is junior in priority to the debt held by Tennenbaum and LSQ.

5. The Debtors have substantial unsecured debt, estimated to total at least \$135 million.

The Bankruptcy Cases

6. On December 7, 2015 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Court"). Pursuant to sections 1107 and 1108 of the Bankruptcy Code, the Debtors continue to operate their businesses and properties as debtors-in-possession. No trustee or examiner has been appointed in these cases.

⁴ Foxconn is a member of the Committee.

7. On December 16, 2015, the Committee was appointed in these cases by the Office of the United States Trustee for the District of Delaware, consisting of the following seven members: (i) D&H Distributing Co.; (ii) 24-7 Intouch Inc.; (iii) Hon Hai Precision Industry Co., Ltd.; (iv) Morgan Stanley; (v) Scott Miller, for himself and in his capacity as proposed class representative, C.D. Cal. Case # 2:14-cv-06119-CAS-AS; (vi) Trend Power Limited; and (vii) Wistron Corporation. That same day, the Committee selected Cooley LLP as its proposed lead counsel and Ballard Spahr LLP as its proposed Delaware counsel. On December 18, 2015, the Committee selected PricewaterhouseCoopers as its proposed financial advisor.

The Stalking Horse Agreement

8. Pursuant to the terms of the Asset Purchase Agreement by and among the Debtors and Mattel dated as of December 15, 2015 (the “Stalking Horse Agreement”), the Debtors seek to sell substantially all of their operating assets to Mattel, subject to higher and/or otherwise better offers.

The Proposed Sale Timeline and Bid Procedures

9. On the Petition Date, the Debtors filed the Bid Procedures Motion in which they seek approval of the Proposed Bid Procedures.⁵

10. The Proposed Bid Procedures provide for certain amounts payable to the Stalking Horse in the event an alternative transaction is consummated, including (i) a break-up fee (the “Break-Up Fee”) of \$300,000, an expense reimbursement of up to \$200,000 (the “Expense Reimbursement”) and, together with the Break-Up Fee, the “Bid Protection”) and (ii) repayment of the Mattel Loan. In order to participate in the Auction, bidders must, among other things,

⁵ Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Bid Procedures Motion or the Stalking Horse Agreement, as applicable.

submit a bid that equals or exceeds the Purchase Price, *plus* the Bid Protection (\$500,000), *plus* the Mattel Loan (\$300,000), *plus* an overbid increment (\$100,000). Moreover, the Proposed Bid Procedures provide that in the event the Stalking Horse Bidder submits an overbid at the Auction, the Debtors will credit the Bid Protection and Mattel Loan to each such overbid. *See* Proposed Bid Procedures, § 8(d), (e).

11. The Debtors have proposed that the sale of substantially all of their assets (the “Sale”) be conducted consistent with the following dates:

- January 21, 2016: deadline to submit bid for the Debtors’ assets;
- January 25, 2016: Auction (if bids are received);
- January 28, 2016: Sale hearing; and
- February 15, 2016: deadline to close Sale.⁶

The Interim Cash Collateral Orders

12. On December 9, 2015, the Court entered the *Interim Order (A) Authorizing Use of Cash Collateral, Confirming Debtors’ Ability to Sell Inventory, Granting Adequate Protection to Pre-Petition Lenders, and (B) Setting a Final Hearing* (D.I. 40).

13. On December 21, the Court entered the *Second Interim Order (A) Authorizing Use of Cash Collateral, Confirming Debtors’ Ability to Sell Inventory, Granting Adequate Protection to Pre-Petition Lenders, and (B) Setting a Final Hearing* (D.I. 147).⁷

⁶ Subject to extension in accordance with the Stalking Horse Agreement if needed to obtain government consents or to effectuate any transactions or modifications under section 10.1 thereunder. *See* Stalking Horse Agreement § 9.1(c)(iv).

⁷ Contemporaneously herewith, the Committee has submitted a statement with respect to cash collateral.

LIMITED OBJECTION

A. The Committee Has Concerns with the Stalking Horse Agreement

14. The Committee understands that, at this juncture, approval of the Proposed Bid Procedures, not the Sale, is the matter *sub judice*. However, given that the Bid Procedures Motion seeks approval of the Stalking Horse Agreement, and that the Proposed Bid Procedures contemplate that if no bids are received, the Debtors will seek approval of such agreement, or alternatively, that other bidders may bid off of the form of Stalking Horse Agreement, the Committee believes it is only prudent to highlight certain of its concerns therewith now.⁸

15. Most significantly, the Stalking Horse Agreement contains substantial purchase price adjustments. Specifically, the consideration to be provided by the Stalking Horse Bidder (the "Purchase Price") is subject to downward adjustments as follows:

- Reduction for the Mattel Loan (**estimated to be a \$300,000 deduction**);
- The greater of (A) the amount by which the cash transferred to Mattel at closing is less than \$1.5 million, and (B) the amount by which the obligations arising under the Prepetition Credit Agreement are reduced as a result of payments or setoffs on or after the Petition Date and prior to closing (**estimated to be a \$415,000 deduction**);⁹
- Reduction for estimated taxes owed by Fuhu based on an estimate determined by Mattel; and
- Reduction for any cure payments for which the Debtors are responsible but which are paid by Mattel.¹⁰

⁸ The Committee is in discussions with Mattel concerning these issues and is hopeful that certain of these deficiencies can be remedied. In the event they are not, the Committee reserves all of its rights to raise these and other issues in the context of the Sale Motion.

⁹ According to the updated budget provided to the Committee, the Debtors estimate that cash as of the week ending February 14, 2016 will be \$1,085,000.

¹⁰ In addition, given that the Debtors are responsible for any cure payments in excess of \$500,000, any such cure payments paid by the Debtors effectively reduce the amount Mattel is paying for the Debtors' assets. The Committee is working with the Debtors to determine the Debtors' estimated exposure with respect to cure payments.

16. When these downward adjustments are factored in, the purchase price – initially at \$9.5 million – decreases to approximately \$8.785 million, for which Mattel would receive significant cash and cash equivalents totaling \$3.014 million. The Committee is hopeful that Qualified Bidders will see the value to the Debtors’ assets, including intellectual property, the Debtors’ foreign subsidiaries (particularly Fuhu Taiwan which, according to the Debtors, has approximately \$519,000 in cash and approximately \$519,000 in receivables), inventory (estimated to be approximately \$13.2 million at cost), human capital and the benefit of obtaining a turn-key business, and participate actively in the Auction to maximize value.

17. In addition, the Committee has identified certain other provisions of concern in the Stalking Horse Agreement, and anticipates working with Potential Bidders in advance of and at the Auction to improve upon the terms of the Stalking Horse Agreement:

- All third party consents under the contracts set forth on Schedule 8.2(h) must be delivered prior to closing. The Committee is concerned that if such consents cannot be obtained, Mattel will not close. (Stalking Horse Agreement, § 8.1(h)) **Any necessary consents should be obtained prior to the Auction.**
- The Debtors are liable for Cure Payments in excess of \$500,000. (Stalking Horse Agreement, § 7.21(b)). The Committee is concerned about the extent of liabilities to be paid by the estates on account of contracts from which Mattel seeks to benefit.
- Mattel is purchasing claims and causes of action against the Debtors’ directors and officers, other claims and causes of action, and Avoidance Actions that relate to Purchased Assets or Assumed Liabilities, without providing the Committee sufficient time to determine the value of such claims and whether Mattel is providing sufficient value for those assets. (Stalking Horse Agreement, §§ 2.1(v), (l), (t))
- The Stalking Horse Agreement fails to provide for the assumption of warranty obligations and other customer programs related to products sold prior to the closing date. (Stalking Horse Agreement, § 2.4(c)). These types of obligations should be assumed by any going concern purchaser.
- Mattel need not fund the Deposit (\$500,000) unless a cash collateral order reasonably acceptable to it is entered. (Stalking Horse Agreement, § 3.1(b))

B. The Proposed Bid Procedures Should be Modified to Support, Not Hinder, the Sale Process

18. The Committee supports the Debtors' efforts to maintain and preserve their business as a going concern, including preserving jobs of hundreds of employees. To that end, the Committee is mindful of the Debtors' attempt to negotiate the terms of a stalking horse deal in the days leading up to the Petition Date, and recognizes the value of having a "floor" to the auction process. Notwithstanding material deficiencies in the Stalking Horse Agreement described above, which the Committee is hopeful will be corrected through vibrant bidding at the Auction, the Committee is supportive of the sale process. However, in order to encourage potential bidders to participate in the process, and to maximize value, it is necessary to modify the Proposed Bid Procedures.

1. The Bid Protections Are Too High

19. Specifically, the Proposed Bid Procedures require the Debtors to give the Stalking Horse credit in each round of bidding for the Bid Protection and Mattel Loan (the "Bid Protection Credit Provision").¹¹ An effective \$900,000 bid increment will inevitably chill the bidding by placing the Stalking Horse Bidder in a uniquely advantageous position relative to other Potential Bidders for the Debtors' assets, and should not be sanctioned by this Court. The Bid Protection Credit Provision is nothing more than an outsized bid increment that benefits Mattel at the expense of the estates. Upon the conclusion of one round of bidding at the Auction, the Bid Protection and Mattel Loan should not be credit bid, and bidding should proceed in increments as set forth in the Proposed Bid Procedures.

¹¹ As explained by the Proposed Bid Procedures, "Purchaser shall be entitled to credit bid in an amount equal to the Bid Protection for any subsequent bid(s) it submits at the Auction." Proposed Bid Procedures, § 8(d); *see also* § 8(e) ("when evaluation [sic] any bid submitted by the Purchaser, such bid shall be deemed to include the full amount of the Bid Protections").

20. In addition, the Debtors propose to pay a Bid Protection *plus* the Mattel Loan, collectively totaling \$800,000, in the event that Mattel is not the successful bidder at the conclusion of the Auction. While the Debtors indicate that the Break-Up Fee is 3.1% of the Purchase Price, given the fact that Mattel is proposing to purchase significant cash and cash equivalents (i.e., receivables) which do not provide a net benefit to the estates, the Bid Protection (without even accounting for the Mattel Loan) is high, at approximately 5.2% of the stated purchase price, which percentage would be higher when other reductions to the purchase price related to taxes and cure amounts are reflected. The Committee submits that a reasonable Bid Protection would be 5% of the amount that Mattel intends to pay to the Debtors at closing *excluding* cash, accounts receivable and the Mattel Loan (\$5,771,000),¹² or \$288,550.

21. Break-up fees must be carefully scrutinized in light of the circumstances of the case. *See, e.g., In re Am. West Airlines, Inc.*, 166 B.R. 908, 912 (Bankr. D. Ariz. 1994) (stating that “the proposed break-up fee must be carefully scrutinized to insure that the [d]ebtor’s estate is not unduly burdened and that the relative rights of the parties in interest are protected.”) (internal citation omitted). In limited circumstances, break-up fees, like other administrative expenses, are permissible upon demonstrating that the fees were necessary to preserve the value of the estate and/or to ensure a competitive auction process. *See, e.g., Calpine v. O’Brien Env’tl. Energy, Inc. (In re O’Brien Environmental Energy, Inc.)*, 181 F.3d 527, 535 (3d Cir. 1999) (“the allowability of break-up fees, like that of other administrative expenses, depends upon the requesting party’s ability to show that the fees were actually necessary to preserve the value of the estate”). In connection with approving a break-up fee, as with any other administrative

¹² Calculated as Purchase Price of \$9,500,000, *less* cash (\$1,085,000), *less* purchase price adjustment for cash (\$415,000), *less* receivables (\$1,929,000), *less* Mattel loan (\$300,000).

expense, the claimant has “the burden of proving that its claim was for ‘actual, necessary costs and expenses of preserving the estate.’ The words ‘actual’ and ‘necessary’ have been construed narrowly: the debt must benefit the estate and its creditors.” *Toma Steel Supply, Inc. v. TransAmerican Natural Gas Corp. (In re TransAmerican Natural Gas Corp.)*, 978 F.2d 1409, 1416 (5th Cir. 1992), reh’g denied, 983 F.2d 1060 (5th Cir. 1993).

22. Here, the Bid Protection is unreasonable relative to the proposed purchase price, the type of certain assets being purchased by Mattel (cash and cash equivalents) and the purchase price reductions built into the Stalking Horse Agreement. The Committee submits the Bid Protection should not be approved as proposed.

2. Additional Provisions of the Proposed Bid Procedures Benefit Mattel at the Expense of the Estates

23. In addition to the revisions set forth on **Exhibit A** hereto, the Committee has identified certain infirmities with the Proposed Bid Procedures which do not serve to maximize the value of the estates and, indeed, will negatively impact the sale process.

24. Specifically, providing information to Mattel on which parties are conducting due diligence, providing copies of bids to Mattel prior to meaningful bid analysis by the estate parties, and notifying Mattel of which bids are Qualified Bids serves no benefit to the estates and gives Mattel an undue advantage over other Potential Bidders. *See* Proposed Bid Procedures, ¶ 6(a), (k); Stalking Horse Agreement, § 7.23. In addition, If Mattel is not the Successful Bidder, the Debtors are obligated to pay the Mattel Loan (in addition to the Bid Protection) out of the sale proceeds, notwithstanding that the Mattel Loan is junior in priority to the secured debt held

by Tennenbaum and LSQ. *See* Stalking Horse Agreement § 9.2. The Mattel Loan should be paid in accordance with the priorities of the Bankruptcy Code.¹³

C. Additional Modifications

25. The Committee incorporates by reference the proposed modifications set forth on **Exhibit A** hereto, and respectfully requests that the Court modify the Proposed Bid Procedures consistent with therewith and this Limited Objection.

D. Reservation of Rights

26. The Committee reserves the right to raise additional issues with the Proposed Bid Procedures at the hearing on the same.

¹³ The Committee reserves all rights to ascribe a value of less than \$300,000 to the Mattel Loan if it is credit bid at the Auction.

WHEREFORE, the Committee respectfully requests entry of an order (i) modifying the Proposed Bid Procedures as requested herein, and (ii) granting such other and further relief as the Court deems just and proper.

Respectfully submitted,

Dated: December 28, 2015
Wilmington, Delaware

/s/ Leslie C. Heilman
Tobey M. Daluz (No. 3939)
Matthew G. Summers (No. 5533)
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*Proposed Counsel for the Official
Committee of Unsecured Creditors*

EXHIBIT A

IN THE UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
 FUHU, INC., *et al.*,¹) Case No. 15-12465 (~~---~~[CSS](#))
)
 Debtors.) (~~Jointly Administration~~[Requested](#))

Re: Docket No. __

**ORDER (A) APPROVING BIDDING PROCEDURES FOR THE SALE OF
 SUBSTANTIALLY ALL OF THE DEBTORS' OPERATING ASSETS,
 (B) SCHEDULING AN AUCTION AND SALE HEARING, (C) APPROVING BID
 PROTECTIONS, AND (D) APPROVING PROCEDURES
~~PROCEDURES~~ FOR THE ASSUMPTION AND ASSIGNMENT OF CERTAIN
 EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

Upon the Motion (the "Motion") of Debtors Fuhu, Inc. and ~~Fuhu Holdings, Inc., the above-captioned~~[its](#) debtors ~~and debtors in possession herein~~[affiliates](#) (the "Debtors"), for an order (A) approving certain bidding procedures and bidder protections (the "Bidding Procedures") for the sale of substantially all of the operating assets of the Debtors, (B) scheduling an auction and sale hearing related thereto, (C) approving procedures for the assumption and assignment of certain executory contracts and unexpired leases related thereto (the "Assignment Procedures"), all as more fully set forth in the Motion, and (D) granting related relief, including but not limited to approving the form and manner of notices related to the foregoing; and the Debtors having entered into an asset purchase agreement (the

¹ The Debtors, together with the last four digits of each Debtor's tax identification number, are: Fuhu, Inc. (7896); ~~and~~ Fuhu Holdings, Inc. (9761); [Fuhu Direct, Inc. \(2180\); and Nabi, Inc. \(4119\)](#). The location of the Debtors' headquarters and service address is ~~909 N. Sepulveda Blvd.~~[1700 E. Walnut Avenue](#), Suite ~~540~~[500](#), El Segundo, CA 90245. [\[update all\]](#)

“Agreement”)² ~~consistent with the terms of that certain *Term Sheet for the Acquisition of the Assets of the Fuhu Entities* dated December 6, 2015~~ with Mattel, Inc. (the **“Staking Horse”** or **“Purchaser”**), for the sale of substantially all of the operating assets of the Debtors (as defined in the Agreement, the **“Purchased Assets”**); and the Court having subject matter jurisdiction to consider the Motion and the relief request therein pursuant to 28 U.S.C. § 1334; and the Motion being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to (i) the creditors appearing on the list submitted pursuant to Bankruptcy 1017, (ii) those parties asserting an interest in the Debtors’ assets, and (iii) counsel to the Purchaser; and no other or further notice needing to be provided; and the relief requested in the Motion being in the best interests of the Debtors and their estates and creditors; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before the Court (the **“Hearing”**); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings held before the Court; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND AND DETERMINED THAT:

A. The Court has jurisdiction over this matter and over the property of the Debtors and their bankruptcy estates pursuant to 28 U.S.C. §§ 157(a) and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A),(M)-(O). The statutory predicates

² All capitalized terms not defined herein have the meanings ascribed to them in the Agreement.

for the relief sought herein are 11 U.S.C. § 105, 363, and 365, and Fed. R. Bankr. Proc. 2002, 6004, 6006, 9008, and 9014. Venue of this case and the Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

B. In accordance with Local Rules 6004-1 and 9006-1, the Debtors have properly filed and noticed the Motion as to the relief to be granted pursuant to this Order. The issuance and immediate effectiveness of this Order as of the date hereof is supported by evidence of compelling business justifications and other circumstances demonstrating that the relief granted by this Order is necessary to prevent immediate and irreparable harm to the Debtors and their estates.

C. Good and sufficient notice of the relief sought in the Motion has been given, and no further notice is required except as set forth in the Bidding Procedures with respect to the Auction and the Sale Hearing. A reasonable opportunity to object or to be heard regarding the relief granted herein was afforded to all interested persons and entities.

D. The Debtors have articulated good and sufficient reasons for granting the Motion to the extent provided herein, including approving the Bid Protections, the Bidding Procedures and the Assignment Procedures.

E. The Bidding Procedures were negotiated in good faith and at arm's length, are reasonable and appropriate, and represent the best method for maximizing the return to the Estates for the Purchased Assets.

F. The Purchaser has expended, and will likely continue to expend, considerable time, money and energy pursuing the purchase of the Purchased Assets and has engaged in extended arm's length and good faith negotiations over the terms and conditions of the Agreement, the Bidding Procedures, and the Assignment Procedures.

G. Recognizing this expenditure of time, energy and resources, the Debtors have agreed to pay the Expense Reimbursement, the Break-Up Fee, and the Pre-Filing Loan Reimbursement (“**Bid Protections**”) to the Purchaser subject to the conditions set forth in the Agreement; provided, however, that notwithstanding anything herein or in the Bidding Procedures to the contrary, the Pre-Filing Loan Reimbursement shall be made in accordance with the provisions and priorities of the Bankruptcy Code. The Bid Protections are (i) actual and necessary costs and expenses of preserving the Debtors’ estate within the meaning of Bankruptcy Code section 503(b); (ii) commensurate to the real and substantial benefit conferred upon the Debtors’ estate by the Purchaser; (iii) reasonable and appropriate in light of the size and nature of the proposed sale, comparable transactions, the commitments that have been made, and the efforts that have been and will be expended by the Purchaser; and (iv) necessary to induce the Purchaser to continue to pursue the purchase of the Purchased Assets.

H. The Debtors have demonstrated a sound business justification for authorizing the payment of the Bid Protections to the Purchaser under the terms set forth herein. The Bid Protections have been negotiated at arm’s length and are reasonable under the circumstances.

THEREFORE IT IS HEREBY ORDERED THAT:

1. The Bidding Procedures attached hereto as **Annex 1** are hereby authorized and approved.
2. The form and sufficiency of the Auction and Hearing Notice attached hereto as **Annex 2** is approved.
3. The Assignment Procedures attached hereto as **Annex 3** are authorized and approved.

4. The form and sufficiency of the Assignment Notice attached hereto as Annex 4 is approved.

5. The form and sufficiency of the Auction Results Notice attached hereto as Annex 5 is approved.

6. The form and sufficiency of the Creditor Notice attached hereto as Annex 6 is approved.

7. The form and sufficiency of the Further Assignments Notice attached hereto as Annex 7 is approved.

8. The Bid Protections are approved in their entirety as set forth in the Motion or as modified by the Bidding Procedures annexed hereto as Annex 1. The Debtors may pay the Bid Protections to the Purchaser as set forth in the Agreement. ~~The Bid Protections shall be entitled to priority as a superpriority administrative expense claim in these cases pursuant to Section 507 of the Bankruptcy Code~~ and as provided herein.

9. Objections, if any, to the sale of the Purchased Assets, the assumption and assignment of contracts and leases, and the cures thereunder, if any, shall: (i) be in writing; (ii) specify with particularity the basis of the objection; and (iii) be filed with the Court and simultaneously served on: (a) Debtors' counsel, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com), (b) ~~Committee, if any,~~ counsel to the official committee of unsecured creditors, Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036 (Attn: Jay R. Indyke,

jindyke@cooley.com and Jeffrey L. Cohen, jcohen@cooley.com) and Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034 (Attn: Leslie C. Heilman, heilmanl@ballardspahr.com and Jessica C. Watt, wattj@ballardspahr.com), (c) counsel to any secured creditor that has entered an appearance in these cases, (d) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com); (e) any other party requesting notice in this case, so that it is **actually received** by each of the foregoing parties by **4:00 p.m. (prevailing Eastern Time) on January 21, 2016** (the “**Objection Deadline**”), and service to the above parties may be by email.

10. [The deadline to submit bids for a portion or all of the Debtors’ assets will be **January 21, 2016 at 4:00 p.m. \(prevailing Eastern Time\)**.](#)

11. [In the event that the Debtors timely receive more than one Qualified Bid \(other than the Purchaser’s Agreement\), the Debtors shall conduct an Auction on January 25, 2016 at 10:00 a.m. The Auction will take place at the Delaware offices of Pachulski Stang Ziehl & Jones, LLP located at 919 North Market Street, 17th Floor, Wilmington, DE 19801, or at such other place, date and time as may be designated by the Debtors, in consultation with the Committee, at or prior to the Auction](#)

12. ~~10.~~ [In the event the Debtors select a Successful Bidder or Backup Bidder other than the Purchaser at the Auction, the Objection Deadline solely with respect to the Debtors’ choice of such alternative bidder\(s\) will be **January 28, 2016, at the time of the Sale Hearing**.](#)

13. ~~11.~~—The Court shall conduct the Sale Hearing and consider any unresolved objections to the Sale on **January 28, 2016 at __:__.m. (prevailing Eastern Time)** or at such other time ordered by the Court.

14. ~~12.~~—This Court shall retain exclusive jurisdiction over any matter or dispute relating to the sale of the Purchased Assets, the Bid Protections, the Agreement, the Bidding Procedures, the Assignment Procedures, the Sale Hearing, the Auction, the Successful Bid, the Backup Bid, and/or any other matter that in any way relates to the foregoing.

15. ~~13.~~—Notwithstanding the possible applicability of Fed. R. Bankr. P. 6004(h), 7062, 9014 or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry, and no automatic stay of execution shall apply to this Order.

Dated: _____, 2015
Wilmington, Delaware

CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE

ANNEX 1 TO THE BIDDING PROCEDURES ORDER
Bidding Procedures

**BIDDING PROCEDURES FOR SALE OF
SUBSTANTIALLY ALL OF THE OPERATING ASSETS OF
FUHU, INC. ~~AND~~ FUHU HOLDINGS, INC., FUHU DIRECT, INC. AND NABI, INC.**

Fuhu, Inc. and ~~Fuhu Holdings, Inc.~~ its debtor affiliates (the “**Debtors**”), as chapter 11 debtors and debtors-in-possession, have entered into that certain Asset Purchase Agreement (the “**Agreement**”) for the sale of certain of their purchased assets (the “**Purchased Assets**”) to Mattel, Inc. (the “**Purchaser**” or the “Stalking Horse”), which provides, among other things, for the payment of a purchase price of \$9,5000,000, subject to certain adjustments, plus the assumption of the Assumed Liabilities (as defined in the Agreement). The transaction with the Purchaser pursuant to the Agreement is referred to as the “**Sale**”.

On December ___, 2015, the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) granted the Debtors’ motion (the “**Bidding Procedures Motion**”) for an order approving the following bidding procedures (the “**Bidding Procedures**”) to be employed in connection with the solicitation for higher or otherwise better bids at an auction (the “**Auction**”) for the sale of the Purchased Assets (the “**Bidding Procedures Order**”), if necessary. The Bidding Procedures Order also approved certain procedures (the “**Assignment Procedures**”) relating to the assumption and assignment of certain executory contracts and unexpired leases, the assumption and assignment of which will be a condition to closing the transactions contemplated by the Agreement (collectively, the “**Assumed Contracts and Leases**”).

1. **Important Dates**

Bid Deadline	January 21, 2016 at 4:00 p.m. ET
Objection Deadline	January 21, 2016 at 4:00 p.m. ET
Auction	January 25, 2016 at 10:00 a.m. ET
Supplemental Objection Deadline	January 28, 2016 at 4:00 p.m. ET
Sale Hearing	January 28, 2016 at __: __.m. ET

2. **Assets to be Sold Free and Clear**

Except as otherwise provided in definitive documentation with respect to the Sale, all of the Debtors’ rights, title and interest in and to the Purchased Assets shall be sold free and clear of all pledges, liens, security interests, hypothecations encumbrances, claims, charges, options, deeds of trust, encroachments, retentions of title, conditioned sale arrangements, restrictive covenants, rights of first offer, rights of first refusal, licenses or any

other limitations, restrictions and interests of any kind thereon and there against (collectively, the “**Claims and Interests**”).

3. **Stalking Horse**

The Agreement provides that the Stalking Horse shall act as the “stalking horse bidder” in the Auction and, if it is not the Successful Bidder, shall be entitled to a break-up fee ~~in the amount of \$300,000~~ (the “**Break-Up Fee**”), and reimbursement of the reasonable, documented expenses ~~not to exceed \$200,000~~ (the “**Expense Reimbursement**”) (the Break-Up Fee and Expense Reimbursement together not to exceed \$288,550), and reimbursement of the \$300,000 Pre-Filing Loan (the “**Pre-Filing Loan Reimbursement**” and collectively, “**Bid Protections**”) which are payable in accordance with the terms of the Agreement and the Bidding Procedures Order.

4. **Mailing of the Auction and Hearing Notice**

On a date no later than two business days following entry by the Bankruptcy Court of the Bidding Procedures Order, the Debtors shall mail by first class mail (or by email as to any potential purchasers referenced below) the notice of the proposed sale of the Purchased Assets (the “**Auction and Hearing Notice**”) in the form approved by the Bankruptcy Court in the Bidding Procedures Order to (a) any party requesting service in this case, (b) all counterparties to the Assumed Contracts and Leases, (c) all potential purchasers identified by the Debtors or their agents, and (d) any other party known to the Debtors to have or assert an interest in any of the Purchased Assets.

Any other party-in-interest that wishes to receive a copy of the Bidding Procedures Order and/or the Bidding Procedures Motion shall make such request in writing to Debtors’ counsel at [provide email address and mailing address]. Additionally, copies may be downloaded from the Court’s docket at <http://ecf.deb.uscourts.gov> and from the Debtors’ restructuring website at: www._____._____.

5. **Confidentiality Agreement / Due Diligence**

The Debtors may afford any interested party the opportunity to conduct a reasonable due diligence review in the manner determined by the Debtors in their discretion, in consultation with the official committee of unsecured creditors (the “Committee”). The Debtors shall not be obligated to furnish any due diligence information after the Bid Deadline (defined below). Parties interested in conducting due diligence should contact KRyS Global USA, 57 W. 57th St., 4th Floor, New York, NY 10019 (Attn: Grant Lyon, glyon@krysglobalusa.com). [provide direct phone number]

Contacts for Parties interested in conducting due diligence.

Any entity that wishes to conduct due diligence with respect to the Purchased Assets must deliver to Debtors’ counsel (i) Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and (ii) Bryan Cave

LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com), the following: (a) an executed confidentiality agreement in form and substance satisfactory to the Debtors ~~and which shall inure to the benefit of the Purchaser from and after a closing of the sale with the Purchaser, in consultation with the Committee,~~ and (b) such information as the Debtors may determine, in consultation with ~~any official committee appointed in the Debtors' cases (the "the Committee"),~~ in its sole discretion as is required to demonstrate such entity's financial wherewithal to purchase the Purchased Assets and the ability to make a Qualified Bid (as defined below).

The Debtors may allow any party delivering such a confidentiality agreement and, if necessary, information demonstrating such party's financial wherewithal (such person or entity, a "**Potential Bidder**") to conduct due diligence with respect to the Purchased Assets.

6. Qualification of Bids and Bidders

To participate in the bidding process and to have a bid considered by the Debtors, each Potential Bidder must deliver a written offer or offers satisfying the below criteria. A "**Qualified Bidder**" is a Potential Bidder that delivers a binding bid that in the Debtors' discretion (after consultation with the Committee) satisfies the following criteria (a "**Qualified Bid**"). The Stalking Horse ~~(i)~~ shall be deemed a Qualified Bidder and the bid reflected in the Agreement shall be deemed a Qualified Bid without compliance with the requirements below, ~~and (ii) for the avoidance of doubt, shall not be required to serve as the Backup Bidder and shall not be required to post a Deposit.~~

- (a) Bid Deadline. Each Bid Package (defined below) must be delivered in written and electronic form (where available) to: (a) Debtors' counsel (i) Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com), and (ii) KRyS Global USA., 57W 57th St., 4th Floor, New York, NY 10019 (Attn: Grant Lyon, glyon@krysglobalusa.com), (b) counsel to the Committee, ~~if any~~ Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036 (Attn: Jay R. Indyke, jindyke@cooley.com and Jeffrey L. Cohen, jcohen@cooley.com) and Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034 (Attn: Leslie C. Heilman, heilmanl@ballardspahr.com and Jessica C. Watt, wattj@ballardspahr.com), and (c) counsel to any secured creditor that has entered an appearance in these cases so as to **actually be received no later than January 21, 2016 at 4:00 p.m. (prevailing Eastern Time) (the "Bid Deadline").** ~~Complete versions of such bids, excluding confidential financial information, shall be forwarded by the Debtors to~~

~~the Stalking Horse no later than 8:00 p.m. (prevailing Eastern Time) on the Bid Deadline.~~

- (b) Bid Package. Each bid must include (collectively, the “**Bid Package**”): (i) a written and signed irrevocable and binding offer letter stating that (w) the bidder offers to consummate a transaction on terms and conditions no less favorable than those found in the Agreement and in an amount at least equal to the Minimum Bid (as defined below), (x) confirming that the bid will remain irrevocable and binding until five business days following the entry of the Sale Order, (y) that the Bidder has had the opportunity to conduct due diligence prior to its offer and does not require further due diligence, has relied solely upon its own independent review and investigation and did not rely on any written or oral representations except as expressly set forth in the Modified Agreement (defined below), and (z) the Bidder shall, if designated as such in accordance with these procedures, serve as the Backup Bidder (defined below) until the consummation of the transaction pursuant to the Successful Bid; (ii) an executed copy of the Agreement as modified by the Potential Bidder in accordance with its bid or, if the Bidder is proposing to consummate the sale pursuant to a plan, a plan (“**Modified Agreement**”); (iii) an electronic markup of the Agreement showing the revisions in the Modified Agreement, along with a clean copy of the Modified Agreement (formatted as a Microsoft Word document). The Debtors, in consultation with the Committee, shall determine whether any Modified Agreement that modifies the Agreement in any respect beyond the identity of the purchaser and the purchase price under the Agreement is a Qualified Bid.
- (c) Minimum Bid. The amount of the purchase price in any bids for the Purchased Assets must provide for consideration in cash, and/or a valid credit-bid by a secured creditor of the Debtors, that is at least \$100,000, in the aggregate, more than the purchase price contained in the Agreement (\$9,500,000), plus the amount required to satisfy the ~~Bid Protections~~ (\$800,000 Break-Up Fee and Expense Reimbursement (\$288,550)) (the “**Minimum Bid**”).
- (d) Financial Information. The Bid Package must contain such financial and other information that will allow the Debtors, in consultation with the Committee, to make a determination as to the bidder’s financial wherewithal and its ability to consummate the transactions contemplated by the Modified Agreement, including evidence of adequate financing, any proposed conditions to closing and adequate assurance of such bidder’s ability to perform under any of the Assumed Contracts and Leases. Any counterparty to an unexpired lease or executory contract that is scheduled to be assumed and assigned to the buyer may request adequate assurance information from Debtors’ counsel, and Debtors’

counsel may provide such information to contract counterparties, provided that any party receiving adequate assurance information from the Purchaser or any other Qualified Bidder is required to maintain the confidentiality of such information.

- (e) Regulatory Approvals. The Bid Package must describe all regulatory approvals the bidder will need and provide evidence of the bidder's ability to obtain all necessary regulatory approvals in a timely manner, if applicable.
- (f) Executory Contracts and Unexpired Leases. The Modified Agreement must identify with particularity each and every proposed Assumed Contract and Lease.
- (g) Additional Bid Protections. The bid must not request or entitle the Potential Bidder to any transaction or break-up fee, expense reimbursement, or similar type of payment, or propose to modify any of the Bidding Procedures.
- (h) Identity of Bidders. Each Potential Bidder must fully disclose the identity of each entity that will be bidding or otherwise participating in connection with such bid, including the names and addresses of any members or individuals with an interest in the entity, and the complete terms of any such participation, as well as disclose the ~~organization form and the~~ business conducted by each entity. Any Potential Bidder shall be required to provide such additional information as the Debtors may require regarding a Potential Bidder's ability to satisfy the requirements of the applicable regulatory authorities.
- (i) Due Diligence. The bid must not contain any due diligence or financing contingencies of any kind, and must affirmatively acknowledge that the bidder (i) had an opportunity to conduct due diligence prior to making its offer and does not require further due diligence, (ii) has relied solely upon its own independent review, investigation, and/or inspection of any documents and/or the Purchased Assets in making its bid, and (iii) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied, by operation of law, or otherwise, regarding the Purchased Assets, or the completeness of any information provided in connection therewith.
- (j) Consents. Each Potential Bidder must represent that it obtained all necessary organizational approvals to make its competing bid and to enter into and perform the Modified Agreement and include evidence of authorization and approval from the Potential Bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Modified Agreement. By the Auction, each Potential Bidder must represent that it has obtained all

third party consents, if necessary, required under the Agreement or Modified Agreement, as applicable.

- (k) Deposit. A Potential Bidder for the Purchased Assets (other than the Purchaser) must deposit **10% of the purchase price** under the Modified Agreement (the “**Deposit**”) with Debtors’ counsel (~~the “**Deposit Agent**”~~) in the form of a certified check or wire transfer at least three business days before the Auction. The Potential Bidder shall forfeit the Deposit if (i) the Potential Bidder is determined to be a Qualified Bidder and withdraws or modifies its bid other than as provided herein, (ii) the bidder is the Backup Bidder and withdraws the bid prior to the consummation of the Sale contemplated by the Successful Bid, or (iii) the bidder is the Successful Bidder and (x) withdraws the bid before the consummation of the sale contemplated by the Successful Bid, or (y) breaches the Agreement (or Modified Agreement, as applicable) associated with such bid. The Deposit shall be returned to the Potential Bidder (unless such Potential Bidder has forfeited its Deposit) (i) as soon as practicable if the Potential Bidder is not determined to be a Qualified Bidder; (ii) if the Potential Bidder is determined to not be the Successful Bidder or the Backup Bidder at the Auction, no later than five (5) business days following conclusion of the Auction; or (iii) if the Potential Bidder is determined to be the Backup Bidder, no later than five (5) business days after consummation of the Sale to the Successful Bidder. The Deposit will not be required to be maintained in an interest bearing account, but any interest earned on any Deposit will be remitted to the appropriate Qualified Bidder if the Deposit is returned to the Qualified Bidder pursuant to the above.

The Debtors shall have the right, after consultation with the Committee, to determine whether a bid meeting the requirements set forth in the Bidding Procedures is a Qualified Bid and shall notify bidders whether their bids have been determined to be Qualified Bids, as soon as possible, and prior to the Auction. For the avoidance of doubt, the Purchaser is a Qualified Bidder and the Agreement constitutes a Qualified Bid. ~~After the Debtors determine which bids are Qualified Bids, the Debtors shall so notify the Purchaser.~~

7. Only One Qualified Bid

If no Qualified Bids (other than Purchaser’s Agreement) are submitted, the Debtors shall not hold the Auction, but shall proceed with the Sale Hearing to seek approval of the sale of the Purchased Assets to the Purchaser pursuant to the Agreement (or any modifications agreed to between the Debtors and Purchaser, in consultation with the Committee).

8. Auction

In the event that the Debtors timely receive more than one Qualified Bid (other than the Purchaser’s Agreement ~~and one or more credit bids pursuant to paragraph 8(e)~~

~~below~~), the Debtors shall conduct the Auction with respect to the Purchased Assets. The Auction will take place at the Delaware offices of Pachulski Stang Ziehl & Jones, LLP located at 919 North Market Street, 17th Floor, Wilmington, DE 19801, starting at 10:00 a.m. (prevailing Eastern Time) on January 25, 2016, or at such other place, date and time as may be designated by the Debtors, in consultation with the Committee, at or prior to the Auction. The Auction shall be governed by the following procedures:

- (a) Participation. Qualified Bidders shall be entitled to participate in the Auction, and each Qualified Bidder shall appear in person at the Auction, or through a duly authorized representative. Creditors shall be entitled to attend the Auction. At least one day prior to the commencement of the Auction, each Qualified Bidder must confirm in writing that it will participate in this Auction; provided, however, that in the event a Qualified Bidder does not attend the Auction, the relevant Qualified Bid shall nonetheless remain fully enforceable against that Qualified Bidder in accordance herewith. Representatives of, and counsel and financial advisor for, the Committee and any other party in interest shall be permitted to attend the Auction.
- (b) Anti-Collusion. At the commencement of the Auction, each Qualified Bidder shall be required to confirm that it has not engaged and will not engage in any collusion with any other Qualified Bidder with respect to the bidding or the Sale.
- (c) Conduct of Auction. The Auction will be conducted openly with the proceeding being transcribed and each Qualified Bidder being informed of the terms of the previous bid.
- (d) Bidding. Bidding at the Auction shall commence at the amount of the highest or otherwise best Qualified Bid submitted prior to the Auction; Qualified Bidders for all of the Purchased Assets may then submit successive bids in increments of \$100,000 (the “**Bid Increment**”). Any bid submitted after the conclusion of the Auction shall not be considered for any purpose. ~~At the Auction, Purchaser shall be entitled to credit bid in an amount equal to the Bid Protections for any subsequent bid(s) it submits at the Auction.~~
- (e) Successful Bid. If an Auction is conducted, it shall continue until the Debtors determine, in consultation with the Committee, which offer is the highest or otherwise best offer from among the Qualified Bids submitted at the Auction (such bid or bids, as applicable, the “**Successful Bid**”); *provided, however*, that ~~when evaluation any bid submitted by the Purchaser, such bid shall be deemed to include the full amount of the Bid Protections; provided further that~~ in the event the Purchaser’s last bid is higher or otherwise better than any bid submitted by a Qualified Bidder, the Purchaser’s bid (as per the Purchaser’s Agreement (as existing or modified at the Auction)) shall be deemed to

be the Successful Bid. The Qualified Bidder submitting such Successful Bid shall become the “**Successful Bidder**,” and shall have such rights and responsibilities of the purchaser, as set forth in the applicable Modified Agreement, as applicable, together with any changes made thereto by the Successful Bidder at the Auction. Within one business day after the conclusion of the Auction, but in any event prior to the commencement of the Sale Hearing (as defined below), the Successful Bidder shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made.

- (f) Backup Bid. At the conclusion of the Auction, the Debtors will also announce, in consultation with the Committee, the second highest or otherwise best bid from among the Qualified Bids submitted at the Auction (the “**Backup Bid**”); ~~provided however, that the Stalking Horse shall not be the Backup Bid unless the Stalking Horse expressly agrees.~~ The Qualified Bidder submitting such Backup Bid shall become the “**Backup Bidder**,” and shall have such rights and responsibilities of the purchaser, as set forth in the applicable Modified Agreement, together with any changes made thereto by the Backup Bidder at the Auction. *The Backup Bid shall remain open and irrevocable until the consummation of the Sale of the Purchased Assets pursuant to the Successful Bid*, provided if Purchaser is the ~~Back-Up~~Backup Bidder, its bid shall only remain open until the Outside Date (as defined below). In the event the Backup Bidder fails to comply with the requirements of this paragraph, it will be deemed to have forfeited its Deposit. The Backup Bidder’s Deposit will be returned by the Debtors upon the earlier of the following: (i) the Outside Date, or (ii) immediately following consummation of the Successful Bid. Notwithstanding any other provision contained herein, the Purchaser or any other bidder shall remain as Backup Bidder only through the earlier of (i) February 1529, 2016 (the “**Outside Date**”), or (ii) the consummation of the Successful Bid.

9. Sale Hearing

The Successful Bid and the Backup Bid (or the Purchaser’s Agreement in the event the Auction is not held) will be subject to approval by the Bankruptcy Court after a hearing (the “**Sale Hearing**”) that will take place **January 28, 2016** at __:00 __.m. (prevailing Eastern Time) and entry of an order approving such sale (the “**Sale Order**”). Upon approval of the Backup Bid by the Bankruptcy Court, the Backup Bid shall remain open and irrevocable until the earlier of (i) consummation of the Sale pursuant to the Successful Bid or (ii) the Outside Date. [same issue as above]

Objections, if any, to the Sale Motion, the assumption and assignment of contracts leases, and the cures thereunder (if any), and any filed supplements thereto, shall: (i) be in writing; (ii) specify with particularity the basis of the objection; and (iii) be filed with the

Court and simultaneously served on: (a) Debtors' counsel (i) Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and (ii) Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com), (b) counsel to the Committee, ~~if any~~, [Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036 \(Attn: Jay R. Indyke, \[jindyke@cooley.com\]\(mailto:jindyke@cooley.com\) and Jeffrey L. Cohen, \[jcohen@cooley.com\]\(mailto:jcohen@cooley.com\)\) and Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034 \(Attn: Leslie C. Heilman, \[heilmanl@ballardspahr.com\]\(mailto:heilmanl@ballardspahr.com\) and Jessica C. Watt, \[wattj@ballardspahr.com\]\(mailto:wattj@ballardspahr.com\)\)](#), (c) counsel to any secured creditor that has entered an appearance in these cases, (d) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com), and (e) any other party requesting notice, so as to be actually received by 4:00 p.m. (prevailing Eastern Time) on **January 21, 2016** (the "**Objection Deadline**").

10. Supplemental Objections

In the event the Debtors choose a Successful Bidder or Backup Bidder other than the Purchaser at the Auction or the terms of the proposed Sale are modified at the time of the Auction, the Objection Deadline solely with respect to (i) the Debtors' choice of such alternative Successful Bidder or Backup Bidder, or the modifications to the terms of the Sale to the Successful Bidder and (ii) cure amounts under the Assumed Leases and Contracts, to the extent such party did not receive notice of such cure amounts prior to the Auction, must be ~~filed with~~[presented to](#) the Court at ~~4:00 p.m. Eastern time on January 28, 2016~~ [at the time of the Sale Hearing](#).

11. Consummation of the Sale

Following the Sale Hearing, if for any reason the Successful Bidder fails to consummate the purchase of the Purchased Assets, then the Backup Bidder will automatically be deemed to have submitted the highest or otherwise best bid. Thereafter, the Debtors and the Backup Bidder are authorized to immediately effect the sale of the Purchased Assets to the Backup Bidder on the terms of the Backup Bid as soon as is commercially reasonable without further order of the Bankruptcy Court. If such failure to consummate the purchase is the result of a breach by the Successful Bidder, its Deposit shall be forfeited to the Debtors and the Debtors specifically reserve the right to seek all available damages from the defaulting bidder.

12. Jurisdiction

The Bankruptcy Court shall retain exclusive jurisdiction over any matter or dispute relating to the Sale of the Purchased Assets, the Bidding Procedures, the Sale Hearing, the Auction, the Successful Bid, the Backup Bid, and/or any other matter that in any way relates to the foregoing. All Qualified Bidders shall be deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to a jury trial in connection with any Auction related disputes.

13. **Additional Procedures**

The Debtors reserve the right, in consultation with the Committee, to adopt any other procedures reasonably necessary to implement the Bidding Procedures, to the extent not inconsistent with the foregoing.

ANNEX 2 TO THE BIDDING PROCEDURES ORDER
Auction & Hearing Notice

Auction **January 25, 2016 at 10:00 a.m. ET**

Supplemental Objection **January 28, 2016 at 4:00 p.m. ET**
Deadline

Sale Hearing **January 28, 2016 at __:0 __.m. ET**

3. The Agreement. The Debtors entered into that certain Asset Purchase Agreement for the sale of the Purchased Assets (the "Agreement") with Mattel, Inc. (the "Purchaser"), and the assignment of certain contracts and leases related thereto. As set forth in the Bidding Procedures, the Sale of the Purchased Assets remains subject to competing offers from qualified prospective bidders.

4. Due Diligence. Parties interested in conducting due diligence should contact KRYs Global USA, 57 W. 57th St., 4th Floor, New York, NY 10019 (Attn: Grant Lyon, glyon@krysglobalusa.com). [\[provide direct phone number\]](#)

5. Submission of Bids. To participate in the bidding process and to have a bid considered by the Debtors, each potential bidder must deliver a written offer or offers satisfying the criteria prescribed in the Bidding Procedures. Each Bid Package must be delivered in written and electronic form (where available) to: (a) (i) Debtors' counsel Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com) and (ii) KRYs Global USA 57 W. 57th St., 4th Floor, New York, NY 10019 (Attn: Grant Lyon, glyon@krysglobalusa.com), (b) counsel to the Committee, ~~if any~~ [Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036 \(Attn: Jay R. Indyke, jindyke@cooley.com and Jeffrey L. Cohen, jcohen@cooley.com\)](#) and [Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034 \(Attn: Leslie C. Heilman, heilmanl@ballardspahr.com and Jessica C. Watt, wattj@ballardspahr.com\)](#), and (c) counsel to any secured creditor that has entered an appearance in these cases so as to **actually be received no later than January 21, 2016 at 4:00 p.m. (prevailing Eastern Time)** (the "**Bid Deadline**").

6. Auction. In the event that the Debtors receive qualified bids for the Purchased Assets other than the one submitted by the Purchaser, the Debtors intend to conduct the Auction. The Auction will take place at the Delaware offices of Pachulski Stang Ziehl & Jones, LLP, 919 North Market Street, 17th Floor, Wilmington, DE 19801, starting at 10:00 a.m. (prevailing Eastern Time) on **January 25, 2016**, or such other place, date and time as may be designated by the Debtors, in consultation with the Committee ~~(as defined in the Bidding Procedures)~~, at or prior to the Auction.

7. Sale Hearing. The Bidding Procedures Order provides that the Sale Hearing will be held on **January 28, 2016 at __:00 __.m. (prevailing Eastern Time)**, before the Honorable _____ [Christopher S. Sontchi](#), United States Bankruptcy Judge, in

Courtroom 6 at the United States Bankruptcy Court for the District of Delaware, 824 Market Street N, Wilmington, Delaware 19801. At the Sale Hearing, the Debtors will request that the Bankruptcy Court enter an order approving the Sale of the Purchased Assets to the prevailing bidder(s) at the Auction (or to the Purchaser in the event the Auction is not held).

8. Objections. Objections, if any, to the Motion (other than objections with respect to cure amounts or adequate assurance of future performance under the Assumed Contracts and Leases, which are subject to the Assignment Procedures) and any filed supplements thereto, shall: (i) be in writing; (ii) specify with particularity the basis of the objection; and (iii) be filed with the Court and simultaneously served on: (a) Debtors' counsel (i) Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and (ii) Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com) (b) counsel to the Committee, ~~if any,~~ [Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036](#) (Attn: Jay R. Indyke, jindyke@cooley.com and Jeffrey L. Cohen, jcohen@cooley.com) and [Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034](#) (Attn: Leslie C. Heilman, heilmanl@ballardspahr.com and Jessica C. Watt, wattj@ballardspahr.com), (c) counsel to any secured creditor that has entered an appearance in these cases, (d) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com), and (e) any other party requesting notice, so as to be actually received by **4:00 p.m. (prevailing Eastern Time) on January 21, 2016** (the "Objection Deadline").

9. Supplemental Objections. Only in the event the Debtors choose a Successful Bidder or Backup Bidder other than the Purchaser at the Auction or the terms of the proposed Sale are modified at the time of the Auction, the Objection Deadline solely with respect to (i) the Debtors' choice of such alternative Successful Bidder or Backup Bidder, or the modifications to the terms of the Sale to the Successful Bidder, and (ii) cure amounts under the Assumed Leases and Contracts, to the extent such party did not receive notice of such cure amounts prior to the Auction must be ~~filed with~~ [presented to](#) the Court at ~~4:00 p.m. (prevailing Eastern~~ [the time](#) ~~of the Sale Hearing on January 28, 2016~~.

10. A copy of the Bidding Procedures Order or any other document referenced herein can be viewed and obtained on the Bankruptcy Court's website at <https://ecf.deb.uscourts.gov> or (without charge) at www._____.

Dated: _____ __, 2016

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Proposed Counsel for the Debtors

ANNEX 3 TO THE BIDDING PROCEDURES ORDER
Assignment Procedures

**ASSIGNMENT PROCEDURES FOR SALE OF THE OPERATING
~~ASSETS OF FUHU, INC. AND, FUHU HOLDINGS, INC., FUHU HOLDINGS DIRECT,~~
HINC. AND NABI, INC.**

Fuhu, Inc. and ~~Fuhu Holdings, Inc.~~ its debtor affiliates (the “**Debtors**”), as chapter 11 debtors and debtors-in-possession, have entered into that certain Asset Purchase Agreement (the “**Agreement**”) for the sale of certain of their assets (the “**Purchased Assets**”) to Mattel, Inc. (the “**Purchaser**”), which provides, among other things, for the payment of a purchase price of \$9,500,000, subject to certain adjustments, plus the assumption of the Assumed Liabilities (as defined in the Agreement). The transaction with the Purchaser pursuant to the Agreement is referred to as the “**Sale**”.

On _____, 201_, the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) granted the Debtors’ motion (the “**Motion**”) for an order approving, *inter alia*, (i) the following procedures (the “**Assignment Procedures**”) relating to the assumption and assignment to the Purchaser of certain executory contracts and unexpired leases by the Debtors as contemplated by the Sale (the “**Assumed Contracts and Leases**”), including procedures for providing notice of assignment to parties to such Assumed Contracts and Leases (each, a “**Counterparty**”) and (ii) certain bidding procedures (the “**Bidding Procedures**”) to be employed in connection with the solicitation for higher or otherwise better bids at an auction (the “**Auction**”) of the Purchased Assets. The Motion also sought an order approving the Sale subject to the results of the Auction (the “**Sale Order**”).

A. Important Dates

Bid Deadline	January 21, 2016 at 4:00 p.m. ET
Objection Deadline	January 21, 2016 at 4:00 p.m. ET
Auction	January 25, 2016 at 10:00 a.m. ET
Supplemental Objection Deadline	January 28, 2016 at 4:00 p.m. ET
Sale Hearing	January 28, 2016 at _:_0_.m. ET

B. Assumed Contracts and Leases

Pursuant to the Agreement, the Assumed Contracts and Leases consist of (i) certain executory contracts (the “**Assumed Contracts**”) and (ii) unexpired leases (the “**Assumed Leases**”) designated to be assumed by the Debtors and assigned to the Purchaser.

C. Initial Notice of Assumed Contracts and Leases

Within two business days after entry of the Bidding Procedures Order, the Debtors will serve by first class mail an omnibus notice (the “**Assignment Notice**”) on each Counterparty to the Assumed Contracts and Assumed Leases, substantially in the form attached as **Annex 4** to the Bidding Procedures Order (and such party’s attorney, if such attorney has filed a notice of appearance in the Debtors’ chapter 11 proceedings) at the last known address available to the Debtors. The Assignment Notice shall include an exhibit that identifies (i) the name and address of the Counterparty, (ii) the specific Assumed Contract or Assumed Lease being specified, (iii), for each Assumed Lease, the premises relating to the Assumed Lease, and (iv) the cure amount asserted by the Debtors that is necessary to cure any default under the relevant Assumed Contract or Assumed Lease pursuant to section 365 of the Bankruptcy Code (the “**Cure Amount**”).

The Assignment Notice shall also include (i) a description of the Purchaser and a statement as to the Purchaser’s ability to perform the Debtors’ obligations under the Assumed Contracts and/or Assumed Leases (“**Purchaser’s Adequate Assurance**”), (ii) the date of the Objection Deadline (defined below), (iii) the date of the Auction, and (iv) the date of the Sale Hearing.

The Assignment Notice shall also be served upon (a) Counterparties, (b) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com); and (c) any other parties requesting notice in this case (collectively, the “**Notice Parties**”).

D. Contract/Lease Objections

To the extent that any interested party wishes to object to any matter pertaining to the sale of the Purchased Assets or the assumption and assignment of an Assumed Contract or Assumed Lease, including, without limitation, Purchaser’s Adequate Assurance or the Cure Amount designated in the Initial Assignment Notice, then such interested party must file a written objection (the “**Contract/Lease Objection**”) with the Court no later than **January 21, 2016 at 4:00 p.m.** (prevailing Eastern Time) (the “**Objection Deadline**”), and simultaneously serve such Contract/Lease Objection on the following parties (the “**Objection Parties**”): (a) Debtors’ counsel, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com), (b) counsel to the Committee, ~~if any,~~ [Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036](#) (Attn: Jay R. Indyke, [jindyke@cooley.com](#) and Jeffrey L. Cohen, [jcohen@cooley.com](#)) and [Ballard Spahr LLP, 919 North Market Street, 11th](#)

[Floor, Wilmington, DE 19801-3034 \(Attn: Leslie C. Heilman, \[heilmanl@ballardspahr.com\]\(mailto:heilmanl@ballardspahr.com\) and Jessica C. Watt, \[wattj@ballardspahr.com\]\(mailto:wattj@ballardspahr.com\)\)](#), (c) counsel to any secured creditor that has entered an appearance in these cases; (d) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com), and (e) any other party requesting notice in this case, so that it is **actually received** by each of the foregoing parties by the Objection Deadline.

To the extent that any party-in-interest does not timely serve a Contract/Lease Objection as set forth above, such party will be deemed to have (i) consented to the assumption and assignment of the applicable Assumed Contract or Assumed Lease; (ii) agreed that the Purchaser has provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code; (iii) consented to the relevant Cure Amount, if any; (iv) agreed to the terms of the Sale Order; and (v) waived any and all objections in connection with items (i) through (iv) hereof.

E. Supplemental Notice of Assumed Contracts and Leases

The Debtors will serve by email and file with the Court an omnibus notice (the “**Auction Results Notice**”) promptly after the conclusion of the Auction, substantially in the form attached as **Annex 5** to the Bidding Procedures Order, upon the Notice Parties (and their attorneys, if an attorney has filed a notice of appearance in the Debtors’ chapter 11 proceeding) at the last known address available to the Debtors. The Auction Results Notice shall, *inter alia*, identify the successful bidder (the “**Successful Bidder**”) and the backup bidder (the “**Backup Bidder**”)¹ chosen at the Auction in accordance with the Bidding Procedures and such other information as hereinafter provided.

If and only if the bid submitted by the Successful Bidder (the “**Successful Bid**”) or the bid submitted by the Backup Bidder (the “**Backup Bid**”) includes (i) additional executory contracts (each an “**Additional Assumed Contract**”) or additional unexpired leases (each an “**Additional Assumed Lease**”) to be assumed and assigned by the Debtors to either the Successful Bidder or the Backup Bidder (as the case may be), or (ii) a different Cure Amount than the one listed in the Initial Assignment Notice (such Cure Amount, an “**Amended Cure Amount**”), then the Auction Results Notice shall include an exhibit that (a) identifies the name and address of the Counterparty, (b) identifies the specific Additional Assumed Contract and/or Additional Assumed Lease being assumed and assigned, (c) identifies, for each Additional Assumed Lease, the premises relating to the Additional Assumed Lease, and (d) the cure amount asserted by the Debtors that is necessary to cure any default under the relevant Additional Assumed Contract or Additional Assumed Leases pursuant to section 365 of the Bankruptcy Code (the “**Additional Cure Amount**”). For each Amended Cure Amount, the Auction Results Notice shall include an exhibit that identifies (w) the name and address of the

¹ After entry of the Sale Order all references herein to the Purchaser shall refer to the Successful Bidder. In the event that the Backup Bidder is substituted for the Successful Bidder pursuant to the Sale Order, all references to the Purchaser shall refer to the Backup Bidder. Similarly, after entry of the Sale Order, all references herein to the Agreement shall refer to the bid submitted by the Successful Bidder.

Counterparty, (x) the relevant Assumed Contract or Assumed Lease, (y) for each Assumed Lease, the premises relating to the relevant Assumed Lease, and (z) the Amended Cure Amount.

The Auction Results Notice shall include, to the extent the Successful Bidder or Backup Bidder is not the Purchaser, a description of the Successful Bidder and the Back-Up Bidder and, upon request, the Debtors will provide a statement as to the ability of the Successful Bidder or the Backup Bidder to perform the Debtors' obligations under the Assumed Contracts and Assumed Leases (and, to the extent applicable, the Additional Assumed Contracts and the Additional Assumed Leases) (the "**Successful Bidder's Adequate Assurance**" or the "**Backup Bidder's Adequate Assurance**") and such statement shall be kept confidential to the extent required by the Successful Bidder or the Backup Bidder.

F. **Supplemental Objections**

To the extent that any interested party wishes to object to (i) the assumption of an Additional Assumed Contract or Additional Assumed Lease; (ii) the Successful Bidder's or the Backup Bidder's Adequate Assurance designated in the Auction Results Notice, if the Successful Bidder or Backup Bidder is not the Purchaser; or (iii) to the selection of an alternative purchaser as a result of the Auction, such party shall file a written objection (the "**Supplemental Sale Objection**") with the Court no later than **January 28, 2016 at 4:00 p.m.** (prevailing Eastern Time) (the "**Supplemental Objection Deadline**"), and serve such an objection on the Objection Parties so that it is **actually received** by the Supplemental Objection Deadline. [\[same issue throughout – parties should have opportunity to present supplemental sale objection at the sale hearing\]](#)

To the extent that any interested party wishes to object to an Amended Cure Amount or Additional Cure Amount, such party shall file a written objection (the "**Supplemental Cure Objection**") with the Court no later than the Supplemental Objection Deadline, and serve such an objection on the Objection Parties so that it is actually received by the Supplemental Objection Deadline.

To the extent that any interested party does not timely serve (x) a Supplemental Sale Objection as set forth above, such party will be deemed to have (i) consented to the assumption and assignment of the applicable Additional Assumed Contract or Additional Assumed Lease; (ii) agreed that the Successful Bidder and the Backup Bidder have provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code; (iii) agreed to the terms of the Sale Order; and (iv) waived any and all objections in connection with items (i) through (iii) hereof, or (y) a Supplemental Cure Objection as set forth above, such party will be deemed, as applicable, to have (i) consented to the relevant Additional Cure Amount or Amended Cure Amount, if any; (ii) agreed to the terms of the Sale Order; and (iii) waived any and all objections in connection with items (i) through (ii) hereof.

G. **Further Assignments**

Without limiting any rights of the Purchaser set forth in the Agreement, ~~during prior to~~ the ~~period between the Auction and the~~ Bid Deadline, the Purchaser may designate additional executory contracts or unexpired leases for assumption by the Debtors and assignment to the Purchaser (the “**Further Assignments**”). The Debtors shall serve by first class mail an omnibus notice (the “**Further Assignments Notice**”) on each Counterparty to the Further Assignments, substantially in the form attached as **Annex 7** to the Bidding Procedures Order. To the extent that any interested party wishes to object to any matter pertaining to the Further Assignments, then such interested party must file a written objection (a “**Further Assignment Objection**”) with the Court no later than at **4:00 p.m. (prevailing Eastern Time) on the fifteenth day after service of the Further Assignments Notice**. In the event a Further Assignment Objection is filed, such objections will be heard at a hearing to be scheduled by the Bankruptcy Court. [Bidders must designate contracts by Bid Deadline and if they want any contracts after that, they pay the cures and have no means to back out if contracts cannot be delivered]

H. **Resolution and Adjudication of Objections**

Upon filing of an objection by a Counterparty, the Debtors and/or the Purchaser will contact the objecting Counterparty to attempt to consensually resolve any timely served objection. If the Debtors and/or the Purchaser are unable to resolve an objection in response to the Initial Assignment Notice or the Auction Results Notice, (i) to the extent such objections relate to the adequate assurance of future performance by the Purchaser or Successful Bidder (each an “**Adequate Assurance Objection**”), such objections will be heard at the Sale Hearing (except in the case of an Adequate Assurance Objection to a Further Assignment, with a hearing on such an objection to be scheduled by the Bankruptcy Court) or (ii) to the extent such objections relate to a Cure Amount, Additional Cure Amount, or Amended Cure Amount, such objections will be heard at a hearing (the “**Cure Objection Hearing**”) to be scheduled by the Court at the Sale Hearing (except in the case of an Adequate Assurance Objection to a Further Assignment, with a hearing on such an objection to be scheduled by the Bankruptcy Court).

In the event an objection relates solely as to a Cure Amount, Additional Cure Amount, or Amended Cure Amount, (each a “**Cure Objection**”), then such objecting party will be deemed to consent to the assumption of the related executory contract or unexpired lease and its assignment to the Purchaser, notwithstanding such objection. In the event the Debtors and/or the Purchaser are unable to resolve the Cure Objection prior to the Cure Objection Hearing, the Purchaser may elect not to request assumption and assignment of the related executory contract or unexpired lease as part of the Sale.

On or as promptly after the Closing as practical, the Cure Amounts, Amended Cure Amounts, or Additional Cure Amounts to which no objections have been filed, or to which the Purchaser and applicable Counterparties have agreed shall be paid by pursuant to the Agreement.

Payment of the undisputed cure amounts shall be deemed to discharge the obligation of the Debtors and the Purchaser to: (i) cure any defaults under the Assumed Contracts and Leases; and (ii) compensate, or provide adequate assurance that the Debtors will

promptly compensate, any non-Debtor party to the Assumed Contracts and Leases for any actual pecuniary loss resulting from any default thereunder.

I. **Reservation of Rights**

The assumption and assignment of any of the Assumed Contracts and Leases is subject to Court approval and consummation of the Sale. Accordingly, the Debtors shall be deemed to have assumed and assigned Assumed Contracts and Leases ultimately identified under the Agreement as of and effective only upon the Closing (as defined in the Agreement). Absent a Closing that includes such Assumed Contracts and Leases, each of the Assumed Contracts and Leases shall be deemed neither assumed nor assigned/subleased and shall in all respects be subject to subsequent assumption or rejection by the Debtors under the Bankruptcy Code.

ANNEX 4 TO THE BIDDING PROCEDURES ORDER
Assignments Notice

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
FUHU, INC., et al.,¹) Case No. 15-~~_____~~12465 (~~___~~CSS)
)
Debtors.) (Jointly Administered)

**NOTICE OF ASSUMPTION AND ASSIGNMENT AS TO
DEBTORS OF CERTAIN EXECUTORY CONTRACTS
AND UNEXPIRED LEASES PURSUANT TO THE
SALE OF SUBSTANTIALLY ALL OF THE DEBTORS’ OPERATING ASSETS**

PLEASE TAKE NOTICE THAT:

1. On _____, 201_, the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”), upon the motion (the “**Motion**”) of Fuhu, Inc. and Fuhu Holdings, Inc. (the “**Debtors**”) entered an order (the “**Bidding Procedures Order**”): (a) approving the bidding procedures and bidder protections (the “**Bidding Procedures**”) with respect to the sale (the “**Sale**”) of substantially all of the Debtors’ operating assets (the “**Purchased Assets**”); (b) scheduling an auction (the “**Auction**”) for the Purchased Assets and a hearing approving the sale of the Purchased Assets (the “**Sale Hearing**”); and (c) approving certain procedures (the “**Assignment Procedures**”) related to the assumption and assignment of those executory contracts and unexpired leases related to the Purchased Assets and whose assignment is contemplated by the Sale (the “**Assumed Contracts and Leases**”).

2. The Debtors entered into that certain Asset Purchase Agreement for the sale of the Purchased Assets (the “**Agreement**”) with Mattel, Inc. (the “**Purchaser**”), and the assignment of certain contracts and leases related thereto.

3. In the event that the Debtors receive additional qualified bids for the Purchased Assets, the Debtors intend to conduct the Auction with respect to the Purchased Assets. The Auction will take place at the Delaware offices of Pachulski Stang Ziehl & Jones LLP located at 919 North Market Street, 17th Floor, Wilmington, DE 19801, on **January 25, 2016** starting at **10:00 a.m.** (prevailing Eastern Time).

4. Attached as **Annex A** hereto is a description of the Purchaser that demonstrates the Purchaser’s ability to perform the Debtors’ obligations under the Assumed Contracts and/or the Assumed Leases (“**Purchaser’s Adequate Assurance**”).

¹ The Debtors, together with the last four digits of each Debtor’s tax identification number, are: Fuhu, Inc. (7896); ~~and~~ Fuhu Holdings, Inc. (9761); Fuhu Direct, Inc. (2180); and Nabi, Inc. (4119). The location of the Debtors’ headquarters and service address is 909 N. Sepulveda Blvd., Suite 540, El Segundo, CA 90245.

5. The Debtors hereby provide notice of their intent to assume and assign certain agreements to which the Debtors are a party, including at least one or more such agreements to which the Debtors believes you or your predecessor in interest are a party, which agreements are identified in **Annex B** hereto (singularly or collectively, the “**Assumed Agreements**”). **Annex B** also identifies, for each Assumed Agreement, the effective day of assignment; a description of the Assumed Agreement; the premises relating to the Assumed Agreement (if the relevant Assumed Agreement is an Assumed Lease); and the cure amount, asserted by the Debtors, that is necessary to cure any default under the relevant Assumed Agreement pursuant to section 365 of the Bankruptcy Code (the “**Cure Amount**”).

6. Nothing contained in this Notice is to be construed as an admission by the Debtors as to the character of any document denominated as an Assumed Agreement, as an executory contract or unexpired lease, or to the rights of any parties thereto. The sale of the Purchased Assets, and assumption and assignment of the Assumed Agreements will take place pursuant to the Bidding Procedures Order.

7. To the extent that any interested party wishes to object to any matter pertaining to the assumption and assignment of an Assumed Contract or an Assumed Lease, including, without limitation, Purchaser’s Adequate Assurance or the Cure Amount designated in this Notice, then such interested party must file a written objection (an “**Objection**”) with the Bankruptcy Court no later than [_____] at [_____] **p.m.** (prevailing Eastern Time) (the “**Objection Deadline**”), and simultaneously serve such an Objection on the following parties: (a) Debtors’ counsel, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com), (b) counsel to the ~~Committee, if any official committee of unsecured creditors~~, [Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036](http://www.cooley.com) (Attn: Jay R. Indyke, jindyke@cooley.com and Jeffrey L. Cohen, jcohen@cooley.com) and [Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034](http://www.ballardspahr.com) (Attn: Leslie C. Heilman, heilmanl@ballardspahr.com and Jessica C. Watt, wattj@ballardspahr.com), (c) counsel to any secured creditor that has entered an appearance in these cases, (d) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com), and (e) any other party requesting notice, so that it is **actually received** by the Objection Deadline.

8. In the event the Debtors choose a Successful Bidder or Backup Bidder other than the Purchaser at the Auction or the terms of the proposed Sale are modified at the time of the Auction, the Objection Deadline solely with respect to (i) the Debtors’ choice of such alternative Successful Bidder or Backup Bidder, or the modifications to the terms of the Sale to the Successful Bidder and (ii) any additional or modified Cure Amounts must be filed with the Court at **4:00 p.m. Eastern time on January 28, 2016**. [\[same comment as above\]](#)

9. To the extent that any party-in-interest does not timely serve an Objection as set forth above, such party will be deemed to have (i) consented to the assumption and assignment of the applicable Assumed Agreement; (ii) agreed that the Purchaser has provided adequate assurance of future performance within the meaning of

section 365(b)(1)(C) of the Bankruptcy Code; (iii) consented to the relevant Cure Amount, if any; and (iv) agreed to the terms of the Motion.

10. A copy of the Bidding Procedures Order or any other document referenced herein can be viewed and obtained on the Bankruptcy Court's website at <https://ecf.deb.uscourts.gov> or (without charge) at: www._____.

Dated: _____, 2015

PACHULSKI STANG ZIEHL & JONES LLP

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Proposed Counsel for the Debtors

ANNEX 5 TO THE BIDDING PROCEDURES ORDER
Auction Results Notice

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
FUHU, INC., et al.,¹) Case No. 15-12465 (CSS)
)
Debtors.) (Jointly Administered)

**NOTICE OF AUCTION RESULTS IN CONNECTION WITH
THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS’ OPERATING ASSETS**

PLEASE TAKE NOTICE THAT:

1. Introduction. Fuhu, Inc. and ~~Fuhu Holdings, Inc.~~ its debtor affiliates (the “**Debtors**”), as chapter 11 debtors and debtors-in-possession in the above-referenced chapter 11 cases, conducted an auction (the “**Auction**”) with respect to the proposed sale (the “**Sale**”) of substantially all of the Debtors’ operating assets (the “**Purchased Assets**”) in accordance with the order (the “**Bidding Procedures Order**”) of the Bankruptcy Court of the District of Delaware (the “**Bankruptcy Court**”), entered on [_____], 201_, (a) approving the bidding procedures (the “**Bidding Procedures**”), (b) scheduling the Auction and a hearing (the “**Sale Hearing**”) for the Sale of the Purchased Assets, and (c) approving certain procedures related to the assumption and assignment of those executory contracts and unexpired leases related to the Purchased Assets and whose assignment is contemplated by the Sale.

2. Auction Results. Upon conclusion of the Auction, the Debtors determined, in consultation with the Committee (as defined in the Bidding Procedures), pursuant to the Bidding Procedures and subject to the Bankruptcy Court’s approval, that the highest or otherwise best bidder was [_____] (the “**Successful Bidder**”) and the second highest or otherwise best bidder was [_____] (the “**Backup Bidder**”). The asset purchase agreements of the Successful Bidder and the Backup Bidder, as these documents were modified by the Successful Bidder and the Backup Bidder at the Auction (respectively, the “**Successful Bid**” and the “**Backup Bid**”) are attached hereto as **Exhibit A-1** and **Exhibit A-2**, respectively.

3. Initial Assignment Notice. On [_____], 201_, the Debtors served an initial assignment notice that indicated their intent to assume and assign certain agreements to which ~~either~~ any of the Debtors is a party (collectively, the “**Assigned Agreements**”), as well as the cure amount asserted by the Debtors that is necessary to cure any default under the

¹ The Debtors, together with the last four digits of each Debtor’s tax identification number, are: Fuhu, Inc. (7896); ~~and~~ Fuhu Holdings, Inc. (9761); Fuhu Direct, Inc. (2180); and Nabi, Inc. (4119). The location of the Debtors’ headquarters and service address is 909 N. Sepulveda Blvd., Suite 540, El Segundo, CA 90245.

relevant Assigned Agreement pursuant to section 365 of the Bankruptcy Code (the “**Cure Amounts**”).

4. Additional Assumed Agreements/Amended Cure Amounts. Attached as **Exhibit B-1** and **Exhibit B-2** hereto is a list, pursuant to the **Successful Bid** and the **Backup Bid**, respectively, of (i) any additional Assigned Agreements along with any associated Cure Amounts and (ii) any amended Cure Amounts with respect to the original Assigned Agreements.

5. Adequate Assurance of Future Performance. Attached as **Annex A** hereto is a description of the [**Successful Bidder / Backup Bidder**] that demonstrates that party’s ability to perform the Debtors’ obligations under the Assigned Agreements.

6. Sale Hearing. The Bidding Procedures Order provides that the Sale Hearing will be held on [____], **2016** at [____] **a.m. (prevailing Eastern Time)**, before the Honorable [____], United States Bankruptcy Judge, in Courtroom [____] at the United States Bankruptcy Court for the District of Delaware, 824 Market Street N, Wilmington, Delaware 19801. At the Sale Hearing, the Debtors will request that the Bankruptcy Court enter an order approving the Sale of the Purchased Assets to the Successful Bidder.

7. Objection Deadline. Any interested party that wishes to object to the Successful Bidder’s adequate assurance or the Backup Bidder’s adequate assurance designated in this Notice, must file a written objection with the Court no later than [\[discuss objection deadline; there should be a reference to the fact that this is really the supplemental objection deadline, and the prior sale objection deadline applies to the Purchaser if it is the Successful Bidder and any cure amounts previously identified\]](#) **12:00 p.m. on [____]** (the “**Objection Deadline**”), and serve such an objection (each a “**Sale Objection**”) on the following parties (collectively, the “**Objection Parties**”): (a) Debtors’ counsel, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller) (b) counsel to the ~~Committee, if any~~ [official committee of unsecured creditors, Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036 \(Attn: Jay R. Indyke, \[jindyke@cooley.com\]\(mailto:jindyke@cooley.com\) and Jeffrey L. Cohen, \[jcohen@cooley.com\]\(mailto:jcohen@cooley.com\)\) and Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034 \(Attn: Leslie C. Heilman, \[heilmanl@ballardspahr.com\]\(mailto:heilmanl@ballardspahr.com\) and Jessica C. Watt, \[wattj@ballardspahr.com\]\(mailto:wattj@ballardspahr.com\)\)](#), (c) counsel to any secured creditor that has entered an appearance in these cases, (d) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com), and (e) any other party requesting notice; (____) the Successful Bidder; and (____) the Backup Bidder, so that it is **actually received** by the Objection Deadline. To the extent any party (a) that previously received notice of a Cure Amount in connection with the Sale and wishes to object to a modified Cure Amount designated in this Notice or (b) did not receive notice of a Cure Amount in connection with the Sale and wishes to object to its Cure Amount designated in this

Notice, such party must file a written objection (each, a “**Cure Objection**”) prior to the Sale Hearing and may argue such objection at the Sale Hearing.

8. To the extent that any interested party does not timely serve (x) a Sale Objection as set forth above, such party will be deemed to have (i) consented to the assumption and assignment of the applicable Additional Assumed Contract or Additional Assumed Lease; (ii) agreed that the Successful Bidder and the Backup Bidder have provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code; (iii) agreed to the terms of the Sale Order; and (iv) waived any and all objections in connection with items (i) through (iii) hereof, or (y) a Cure Objection as set forth above, such party will be deemed, as applicable, to have (i) consented to the relevant Additional Cure Amount or Amended Cure Amount, if any; (ii) agreed to the terms of the Sale Order; and (iii) waived any and all objections in connection with items (i) through (ii) hereof.

9. A copy of each of the Bidding Procedures Order or any other document referenced herein can be viewed and obtained on the Court’s website at <https://ecf.deb.uscourts.gov> or (without charge) at www._____.

Dated: _____, 2016

PACHULSKI STANG ZIEHL & JONES LLP

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Proposed Counsel for the Debtors

ANNEX 6 TO THE BIDDING PROCEDURES ORDER
Creditor Notice

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
FUHU, INC., et al.,¹) Case No. 15-_____ (___)
)
Debtors.) (Jointly Administered)

**NOTICE OF MOTION FOR ORDER
(A) APPROVING ASSET PURCHASE AGREEMENT AND
AUTHORIZING THE SALE OF SUBSTANTIALLY ALL OF THE
DEBTORS’ OPERATING ASSETS; (B) AUTHORIZING THE SALE OF ASSETS
FREE AND CLEAR OF ALL LIENS, CLAIMS, RIGHTS, ENCUMBRANCES AND
OTHER INTERESTS PURSUANT TO BANKRUPTCY CODE SECTIONS 105, 363(b),
363(f) AND 363(m); (C) ASSUMING AND ASSIGNING CERTAIN EXECUTORY
CONTRACTS AND UNEXPIRED LEASES; AND (D) GRANTING RELATED RELIEF**

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. Introduction. On _____, 2015, Fuhu, Inc. and ~~Fuhu Holdings, Inc.~~ its debtor affiliates (the “**Debtors**”), as chapter 11 debtors and debtors-in-possession in the above-referenced chapter 11 cases (the “**Chapter 11 Cases**”), filed (a) a motion (the “**Bidding Procedures Motion**”) for an order (the “**Bidding Procedures Order**”), (i) approving the bidding procedures and bidder protections (the “**Bidding Procedures**”) with respect to the sale (the “**Sale**”) of substantially all the Debtors’ operating assets (the “**Purchased Assets**”), and assignment of certain contracts and leases related thereto; (ii) scheduling an auction (the “**Auction**”) for the Purchased Assets and a hearing approving the transactions (the “**Sale Hearing**”); and (iii) approving certain procedures (the “**Assignment Procedures**”) related to the assumption and assignment of those executory contracts and unexpired leases related to the Purchased Assets and whose assignment is contemplated by the Sale (the “**Assumed Contracts and Leases**”); and (b) a motion (the “**Sale Motion**”) for an order (the “**Sale Order**”), (a) approving the Sale of the Purchased Assets, and (b) approving the assumption and assignment of the Assumed Contracts and Leases.

On _____, 201_, the Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”) entered an order (the “**Bidding Procedures Order**”): (a) approving the Bidding Procedures with respect to the Sale of the Purchased Assets; (b) scheduling the Auction and the Sale Hearing; and (c) approving the Assignment Procedures for the Assumed Contracts and Leases).

¹ The Debtors, together with the last four digits of each Debtor’s tax identification number, are: Fuhu, Inc. (7896); ~~and~~ Fuhu Holdings, Inc. (9761); Fuhu Direct, Inc. (2180); and Nabi, Inc. (4119). The location of the Debtors’ headquarters and service address is 909 N. Sepulveda Blvd., Suite 540, El Segundo, CA 90245.

2. Agreement. The Debtors have entered into that certain Asset Purchase Agreement with Mattel, Inc. (the "**Purchaser**"), for the Sale of the Purchased Assets and the assignment of certain contracts and leases related thereto.

3. Important Dates. Pursuant to the Bidding Procedures Order, the Bankruptcy Court has set the following relevant dates for the Auction and approval of the Sale of the Purchased Assets:

Bid Deadline	January 21, 2016 at 4:00 p.m. ET
Objection Deadline	January 21, 2016 at 4:00 p.m. ET
Auction	January 25, 2016 at 10:00 a.m. ET
Supplemental Objection Deadline	January 28, 2016 at 4:00 p.m. ET
Sale Hearing	January 28, 2016 at __: __.m. ET

4. Auction. In the event that the Debtors receive qualified bids for the Purchased Assets other than the one submitted by the Purchaser, the Debtors intend to conduct the Auction. The Auction will take place at the Delaware offices of Pachulski Stang Ziehl & Jones, LLP, 919 North Market Street, 17th Floor, Wilmington, DE 19801, starting at 10:00 a.m. (prevailing Eastern Time) on January 25, 2016, or such other place, date and time as may be designated by the Debtor, in consultation with the Committee (as defined in the Bidding Procedures), at or prior to the Auction.

5. Sale Hearing. The Bidding Procedures Order provides that the Sale Hearing will be held on **January 28, 2016 at __:00 __.m. (prevailing Eastern Time)**, before the Honorable Christopher S. Sontchi, United States Bankruptcy Judge, in Courtroom 6 at the United States Bankruptcy Court for the District of Delaware, 824 Market Street N, Wilmington, Delaware 19801. At the Sale Hearing, the Debtors will request that the Bankruptcy Court enter an order approving the Sale of the Purchased Assets to the prevailing bidder(s) at the Auction (or to the Purchaser in the event the Auction is not held).

6. Objections. Objections, if any, to the Sale Motion (other than objections with respect to cure amounts or adequate assurance of future performance under the Assumed Contracts and Leases, which are subject to the Assignment Procedures) and any filed supplements thereto, shall: (i) be in writing; (ii) specify with particularity the basis of the objection; and (iii) be filed with the Court and simultaneously served on: (a) Debtors' counsel, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com), (b) counsel to the ~~Committee, if any~~, official committee of

unsecured creditors, Cooley LLP, 1114 Avenue of the Americas, New York, New York 10036 (Attn: Jay R. Indyke, jindyke@cooley.com and Jeffrey L. Cohen, jcohen@cooley.com) and Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034 (Attn: Leslie C. Heilman, heilmanl@ballardspahr.com and Jessica C. Watt, wattj@ballardspahr.com), (c) counsel to any secured creditor that has entered an appearance in these cases, (d) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com), and (e) any other party requesting notice, so as to be actually received by **4:00 p.m. (prevailing Eastern Time) on January 21, 2016** (the “**Objection Deadline**”).

7. PLEASE NOTE: This is the ONLY NOTICE of the sale of the Purchased Assets that will be mailed to ALL KNOWN GENERAL CREDITORS of the Debtors under any applicable law. Further updates regarding the sale process and a copy of the Motion, the Agreement, the Bidding Procedures, the Assignment Procedures, or any other document referenced herein can be viewed and obtained on the Court’s website at www.ecf.deb.uscourts.gov or (without charge) at www._____. You may also contact counsel for the Debtors to request copies of the Motion or any other document.

Dated: _____, 2015

PACHULSKI STANG ZIEHL & JONES LLP

Jeffrey N. Pomerantz (CA Bar No. 143717)
Michael R. Seidl (DE Bar No. 3889)
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-and-

BRYAN CAVE LLP

Robert J. Miller (AZ Bar No. 13334)
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Proposed Counsel for the Debtors

ANNEX 7 TO THE BIDDING PROCEDURES ORDER
Further Assignments Notice

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:) Chapter 11
)
FUHU, INC., et al.,¹) Case No. 15-~~_____~~12465 (~~___~~CSS)
)
Debtors.) (Jointly Administered)

NOTICE OF FURTHER ASSUMPTION AND ASSIGNMENT OF ADDITIONAL EXECUTORY CONTRACTS AND UNEXPIRED LEASES PURSUANT TO THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS’ OPERATING ASSETS

[Bidders must designate contracts by Bid Deadline and if they want any contracts after that, they pay the cures and have no means to back out if contracts cannot be delivered]

PLEASE TAKE NOTICE THAT:

1. Introduction. Fuhu, Inc. and Fuhu Holdings, Inc. (the “**Debtors**”), as chapter 11 debtors and debtors-in-possession (in the above-referenced chapter 11 case (the “**Chapter 11 Cases**”), conducted an auction (the “**Auction**”) with respect to the proposed sale (the “**Sale**”) of substantially all the Debtors’ operating assets (the “**Purchase Assets**”), in accordance with the order (the “**Bidding Procedures Order**”) of the Bankruptcy Court of the District of Delaware (the “**Bankruptcy Court**”), entered on [____], (a) approving the bidding procedures (the “**Bidding Procedures**”), (b) scheduling the Auction and a hearing (the “**Sale Hearing**”) for the Sale of the Purchased Assets; and (c) approving certain procedures related to the assumption and assignment of those executory contracts and unexpired leases related to the Purchased Assets and whose assignment is contemplated by the Sale (the “**Assumed Contracts and Leases**”).

2. Auction Results. Upon conclusion of the Auction, the Debtors determined, in consultation with the Committee (as defined in the Bidding Procedures), pursuant to the Bidding Procedures and subject to the Bankruptcy Court’s approval, that the highest or otherwise best bidder was [_____] (the “**Successful Bidder**”) and the second highest or otherwise best bidder was [_____] (the “**Backup Bidder**”). The asset purchase agreements of the Successful Bidder and the Backup Bidder, as these documents were modified by the Successful Bidder and the Backup Bidder at the Auction (respectively,

¹ The Debtors, together with the last four digits of each Debtor’s tax identification number, are: Fuhu, Inc. (7896); ~~and~~ Fuhu Holdings, Inc. (9761); [Fuhu Direct, Inc. \(2180\)](#); and [Nabi, Inc. \(4119\)](#). The location of the Debtors’ headquarters and service address is 909 N. Sepulveda Blvd., Suite 540, El Segundo, CA 90245.

the “**Successful Bid**” and the “**Backup Bid**”) are attached hereto as **Exhibit A-1** and **Exhibit A-2**, respectively.

3. **Initial Assignment Notice.** On [_____], the Debtors served an initial assignment notice that indicated their intent to assume and assign certain agreements to which ~~either~~any of the Debtors is a party (collectively, the “**Assigned Agreements**”), as well as the cure amount, asserted by the Debtors, that is necessary to cure any default under the relevant Assigned Agreement pursuant to section 365 of the Bankruptcy Code (the “**Initial Assignment Cure Amounts**”).

4. **Additional Assignment Notice.** On [_____], the Debtors served an additional assignment notice that indicated their intent to assume and assign certain agreements to which ~~either~~one of the Debtors is a party (collectively, the “**Additional Assigned Agreements**”), as well as the cure amount, asserted by the Debtors, that is necessary to cure any default under the relevant Additional Assigned Agreement pursuant to section 365 of the Bankruptcy Code (the “**Additional Assignment Cure Amounts**”).

5. Attached as **Annex A** hereto is a description of the Purchaser that demonstrates the Purchaser’s ability to perform the Debtors’ obligations under the Further Assignments (“**Purchaser’s Adequate Assurance**”).

6. The Debtors hereby provide notice of their intent to assume and assign certain agreements to which ~~either~~any of the Debtors is a party, which agreements are identified in **Annex B** hereto (singularly or collectively, the “**Further Assumed Agreements**”). **Annex B** also identifies, for each Further Assumed Agreement, the effective day of assignment; a description of the Further Assumed Agreement; the premises relating to the Further Assumed Agreement (if the relevant Further Assumed Agreement is an Assumed Lease); and the cure amount, asserted by the Debtors, that is necessary to cure any default under the relevant Further Assumed Agreement pursuant to section 365 of the Bankruptcy Code (the “**Further Assignment Cure Amounts**”, and together with the Initial Assignment Cure Amounts and the Additional Assignment Cure Amounts, the “**Cure Amounts**”).

7. Nothing contained in this Notice is to be construed as an admission by the Debtors as to the character of any document denominated as a Further Assumed Agreement, as an executory contract or unexpired lease, or to the rights of any parties thereto.

8. To the extent that any interested party wishes to object to any matter pertaining to the Further Assignments, then such interested party must file a written objection (an “**Further Assignments Objection**”) with the Bankruptcy Court no later than at 4:00 p.m. (prevailing Eastern Time) on the fifteenth day after service of the Further Assignments Notice (the “**Further Assignments Objection Deadline**”), and simultaneously serve such an Objection on the following parties: (a) Debtors’ counsel, Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 13th Floor, Los Angeles, CA 90067 (Attn: Jeffrey N. Pomerantz, jpomerantz@pszjlaw.com and Michael R. Seidl, mseidl@pszjlaw.com), and Bryan Cave LLP, Two North Central Ave., Suite 2200, Phoenix, AZ 85004 (Attn: Robert J. Miller, rjmiller@bryancave.com and Brian C. Walsh, brian.walsh@bryancave.com), (b) ~~counsel to the Committee, if any,~~counsel to the official committee of unsecured creditors, Cooley LLP, 1114

Avenue of the Americas, New York, New York 10036 (Attn: Jay R. Indyke, jindyke@cooley.com and Jeffrey L. Cohen, jcohen@cooley.com) and Ballard Spahr LLP, 919 North Market Street, 11th Floor, Wilmington, DE 19801-3034 (Attn: Leslie C. Heilman, heilmanl@ballardspahr.com and Jessica C. Watt, wattj@ballardspahr.com), (c) counsel to any secured creditor that has entered an appearance in these cases, (d) counsel to the Purchaser, Latham & Watkins LLP, 355 S. Grand Ave., Los Angeles, CA 90071 (Attn: Peter M. Gilhuly, peter.gilhuly@lw.com and Ted A. Dillman, ted.dillman@lw.com), and (e) any other party requesting notice, so that it is actually received by the Further Assignments Objection Deadline. Such objections will be heard at a hearing to be scheduled by the Bankruptcy Court.

9. To the extent that any party-in-interest does not timely serve a Further Assignments Objection as set forth above, such party will be deemed to have (i) consented to the assumption and assignment of the applicable Further Assumed Agreement; (ii) agreed that the Purchaser has provided adequate assurance of future performance within the meaning of section 365(b)(1)(C) of the Bankruptcy Code; (iii) consented to the relevant Cure Amounts, if any; and (iv) agreed to the terms of the Motion.

10. A copy of the Bidding Procedures Order or any other document referenced herein can be viewed and obtained on the Bankruptcy Court's website at <https://ecf.deb.uscourts.gov> or (without charge) at www._____.

Dated: _____, 2015

PACHULSKI STANG ZIEHL & JONES LLP

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Michael R. Seidl (DE Bar No. 3889)
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Proposed Counsel for the Debtors

CERTIFICATE OF SERVICE

I, Leslie C. Heilman, Esquire hereby certify that on this 28th day of December, 2015, I caused a true and correct copy of the foregoing Limited Objection of the Official Committee of Unsecured Creditors to Motion of Debtors for Order: (A) Approving Bidding Procedures for the Sale of Substantially All of the Debtors' Operating Assets, (B) Scheduling an Auction and Sale Hearing, (c) Approving Bid Protections, and (D) Approving Procedures for the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases to be served on the individuals listed below in the manner indicated.

Via First-Class Mail

Brian C. Walsh, Esquire
Laura Uberti Hughes, Esquire
BRYAN CAVE LLP
211 N. Broadway, Suite 3600
St. Louis, MO 63102

Via First-Class Mail

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Via Hand Delivery

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Via First-Class Mail

Jeffrey N. Pomerantz, Esquire
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Via First-Class Mail

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Ted Dillman, Esquire
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355 S. Grand Avenue
Los Angeles, CA 90071-1560

Dated: December 28, 2015
Wilmington, Delaware

/s/ Leslie C. Heilman

Leslie C. Heilman, Esquire (No. 4716)
BALLARD SPAHR LLP