

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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In re: :
: Chapter 11

ARCTIC SENTINEL, INC. [f/k/a Fuhu, Inc.], :
: Case No. 15-12465 (CSS)
et al.,¹ :
: (Jointly Administered)

Debtors. :
: **Related to Docket No. 731 and 732**
:

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NOTICE OF FILING

PLEASE TAKE NOTICE that, on September 1, 2016, Arctic Sentinel, Inc., f/k/a Fuhu, Inc., *et al.*, the above-captioned debtors and debtors in possession (the “Debtors”), filed the *Plan of Liquidation of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code* (D.I. 731) (the “Plan”) and *Disclosure Statement with Respect to Plan of Liquidation of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code* (Docket No. 732) (the “Disclosure Statement”) with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”).

PLEASE TAKE FURTHER NOTICE that a hearing to consider the adequacy of the Disclosure Statement and to establish procedures for, among other things, the distribution of solicitation packages, will be held on October 6, 2016 at 10:00 a.m. (prevailing Eastern Time) at the Bankruptcy Court before the Honorable Christopher S. Sontchi, Courtroom #6, 824 North Market Street, 5th Floor, Wilmington, Delaware 19801 (the “Disclosure Statement Hearing”).

¹ The Debtors, together with the last four digits of each Debtor’s tax identification number, are: Arctic Sentinel, Inc. [f/k/a Fuhu, Inc.] (7896); Arctic Sentinel Holdings, Inc.[f/k/a Fuhu Holdings, Inc.] (9761); Arctic Sentinel Direct, Inc. [f/k/a Fuhu Direct, Inc.] (2180); and Sentinel Arctic, Inc. [f/k/a/ Nabi, Inc.] (4119). The location of the Debtors’ headquarters and service address is 1700 E. Walnut Ave., Suite 500, El Segundo, CA 90245.



PLEASE TAKE FURTHER NOTICE that attached hereto as **Exhibit A** is a Letter prepared by counsel for the Official Committee of Unsecured Creditors (the “Committee”) on behalf of the Committee in support of the Plan, that the Committee will seek approval of at the Disclosure Statement Hearing for dissemination with the Plan solicitation packages to holders of general unsecured claims.

Dated: September 30, 2016
Wilmington, Delaware

Respectfully submitted,

/s/ Leslie C. Heilman

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EXHIBIT A



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October [], 2016

The General Unsecured Creditors of
Arctic Sentinel, Inc. (f/k/a Fuhu, Inc.) and its Debtor Affiliates

Re: Recommendation of Creditors' Committee
in Favor of Chapter 11 Plan of Liquidation

Dear Creditor:

We represent the official committee of unsecured creditors (the "Committee") of Arctic Sentinel, Inc. (f/k/a Fuhu, Inc.) and its affiliated debtors (collectively, the "Debtors").¹ **The Committee supports the First Amended Plan of Liquidation of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") and urges you to vote to accept it.** Copies of the Plan and related disclosure statement (the "Disclosure Statement") are being distributed to each Holder² of a Claim entitled to vote, along with a ballot with which to cast your vote.

The Disclosure Statement contains extensive information with respect to the Plan and we encourage you to carefully review it. **The Committee urges you to read the Plan and the Disclosure Statement carefully before you vote to accept or reject the Plan.**

As you may recall, on December 7, 2015 with respect to debtors Fuhu, Inc. and Fuhu Holdings, Inc., and on December 11, 2015 with respect to debtors Fuhu Direct, Inc. and Nabi, Inc., the Debtors filed bankruptcy petitions in the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Since its appointment on December 16, 2016, the Committee has participated in all aspects of these cases. That day, the Committee chose Cooley LLP as its lead counsel and Ballard Spahr LLP as its Delaware counsel. Subsequently, the Committee chose PricewaterhouseCoopers as its financial advisor and Berkeley Research Group, LLC as its forensic accountants.

The Debtors filed these cases with the intent to sell substantially all of their assets. While the Debtors had a stalking horse agreement with Mattel, Inc. ("Mattel") in place shortly after commencing the bankruptcy cases, the terms of such agreement were deficient in certain respects. In particular, the purchase price (\$9.5 million) was likely to be reduced by various

¹ The Debtors are Arctic Sentinel, Inc. (f/k/a Fuhu, Inc.), Arctic Sentinel Holdings, Inc. (f/k/a Fuhu Holdings, Inc.), Arctic Sentinel Direct, Inc. (f/k/a Fuhu Direct, Inc.) and Sentinel Arctic, Inc. (f/k/a Nabi, Inc.).

² Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Plan.



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purchase price adjustments set forth in the agreement. Moreover, the proposed sale procedures contemplated that Mattel would be paid a \$300,000 break-up fee if it was not the successful bidder at the auction.

The Debtors' prepetition lenders vigorously contested the use of cash collateral and the Debtors' proposed sale process. Faced with such opposition, the Committee and its professionals canvassed the marketplace, and worked to bring additional interested parties into the process. As a result of these efforts, GWS Fuhu, LLC, affiliated with Great White Shark, a company founded by the former professional golfer Greg Norman ("GWS"), agreed to serve as a replacement stalking horse bidder and debtor-in-possession lender. The new stalking horse deal resolved the lenders' concerns with the use of cash collateral and the sale process, provided for no break-up fee to GWS and increased the purchase price to \$10 million. As a result, the administrative solvency of the estates was ensured. It also appeared likely and, indeed, was the case, that two interested parties – GWS and Mattel – would bid on the Debtors' assets at auction.

The auction, which took more than 24 hours to conduct, resulted in a sale to Mattel. The sale price of \$21.5 million, plus the assumption of certain liabilities, more than doubled GWS's stalking horse bid. Moreover, as a result of the auction process, the terms of the sale set forth in the asset purchase agreement (the "Sale Agreement")³ were also more favorable to creditors than the stalking horse agreement.

In particular, the Committee preserved causes of action against the Debtors' current and former directors and officers for breach of fiduciary duty. The Committee also preserved causes of action, including avoidance actions, against certain of the Debtors' insiders, as well as non-insider fraudulent conveyance actions against vendors and contract counterparties involved in the go-forward operation of the company with respect to transfers in amounts greater than \$500,000. The Sale Agreement also resolved potential litigation with Foxconn Technology Co Ltd., a former manufacturer of the Nabi tablets, and certain of its affiliates, as set forth more fully in the Sale Agreement. Finally, as a result of the sale, preference actions against go-forward vendors were transferred to Mattel.

Following the sale, the Committee turned its attention to investigating the prepetition lenders' liens and claims including, but not limited to, the validity of a \$400,000 yield enhancement fee, a \$700,000 prepayment penalty and approximately \$750,000 of postpetition legal fees incurred by the lenders in connection with their efforts to deny the Debtors' use of cash collateral. After substantial negotiation, the Committee resolved the issues concerning these fees, which resulted in a reduction of the fees sought and the release of \$350,000 from escrow into the estates.

³ Certain of the terms of the Sale Agreement and Plan are described herein for illustrative purposes. In the event of any conflict between the Sale Agreement, Plan and this letter, the Sale Agreement and Plan, as applicable, shall control.



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The Committee is currently investigating potential claims against the Debtors' current and former directors and officers related to the Debtors' prepetition activities and prepetition transfers. Such claims will be transferred from the estates to the Liquidating Trust pursuant to the Plan and it is anticipated that the Liquidating Trustee will, with the assistance of his professionals and at the direction of the Liquidating Trust Advisory Committee, continue to evaluate such claims.

The Plan makes various assumptions about the extent of Allowed General Unsecured Claims, which assumptions may change based on whether causes of action are pursued. For purposes of the estimated recoveries set forth in the Disclosure Statement, however, the value of potential causes of action is not quantified. The Disclosure Statement assumes that Allowed General Unsecured Claims will total between \$119,011,870 and \$603,367,080, resulting in an estimated distribution of between 0.8% and 5.9% to Holders of Allowed General Unsecured Claims, before the consideration of any potential recoveries from litigation claims that the Committee is currently investigating.

The Committee believes that acceptance of the Plan is in the best interest of the Holders of General Unsecured Claims and has concluded that the projected recovery represents an improvement over the recovery, if any, that Holders of Allowed General Unsecured Claims might expect in a liquidation under chapter 7 of the Bankruptcy Code.

The Committee recommends that Holders of General Unsecured Claims vote in favor of the Plan by so indicating on the enclosed ballot and grant the releases provided under Section VIII.E of the Plan. However, you should make your own determination after reading and giving careful consideration to both the Plan and Disclosure Statement, and in consultation with your own advisors and professionals.

In order to count, ballots must be returned as follows to:

Fuhu, Inc. Processing Center
c/o KCC
2335 Alaska Avenue
El Segundo, CA 90245

and be **received** on or before [] [], 2016 at [4:00] [p].m. (Prevailing [Pacific] Time). Ballots transmitted by facsimile, teletype, or other means of electronic transmission will **not** be counted.

The description in this letter of the terms of the Plan and Sale Agreement is qualified by and subject to the discussion and provisions contained in the Plan, Disclosure Statement and Sale Agreement. The Disclosure Statement contains extensive information with respect to the Plan that you should review. **The Committee urges you to read the Plan and the Disclosure**



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Statement carefully before you cast a vote(s) to accept or reject the Plan. The Bankruptcy Court hearing on confirmation of the Plan is set for [] [], 2016 at [] [].m. (Prevailing Eastern Time).

If you have any questions, please contact the undersigned.

Very truly yours,

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Committee Members

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24-7 Intouch Inc.
Morgan Stanley Expansion Capital LP
Scott Miller, on behalf of himself and in his capacity as
proposed class representative, C.D. Cal. Case # 2:14-cv-06119-CAS-AS
Wistron Corporation

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CERTIFICATE OF SERVICE

I, Leslie C. Heilman, Esquire, do hereby certify that, on this 30th day of September, 2016, I caused a true and correct copy of the foregoing *Notice of Filing* to be served on the addressees listed on the attached service list in the manner indicated.

/s/ Leslie C. Heilman

Leslie C. Heilman, Esquire (No. 4716)
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Dated: September 30, 2016
Wilmington, Delaware

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