THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF RELATIVITY FASHION, LLC, ET AL.

c/o Togut, Segal & Segal LLP
Counsel to the Official Committee of Unsecured Creditors
One Penn Plaza, Suite 3335
New York, New York 10119

December 22, 2015

Re: In re Relativity Fashion, LLC *et al.*,
Chapter 11 Case No. 15-11989 (MEW) (Jointly Administered)

To the Unsecured Creditors of Relativity Fashion, LLC, *et. al.*:

The Official Committee of Unsecured Creditors (the "Committee") appointed pursuant to 11 U.S.C. § 1102 in the above-referenced jointly administered chapter 11 cases of Relativity Fashion, LLC and its affiliated debtors and debtors in possession in the above chapter 11 cases (collectively, the "Debtors"), writes to you in connection with the solicitation of your vote on the *Plan Proponents' Second Amended Plan Of Reorganization Pursuant To Chapter 11 Of The Bankruptcy Code* (as amended or modified from time to time, the "Plan"). Any capitalized terms used but not defined herein have the meanings ascribed to such terms in the Plan.

On December 17, 2015, the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") entered the *Order Approving Second Amended Disclosure Statement For Plan Proponents' Second Amended Plan Of Reorganization Pursuant To Chapter 11 Of The Bankruptcy Code* (the "Disclosure Statement Order").

THE COMMITTEE, WHICH REPRESENTS THE INTERESTS OF ALL OF THE DEBTORS' UNSECURED CREDITORS, SUPPORTS THE PLAN AND RECOMMENDS THAT ALL UNSECURED CREDITORS VOTE TO ACCEPT THE PLAN IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THEIR RESPECTIVE BALLOTS. ***Each creditor must, however, make its own independent decision as to whether the Plan is acceptable to that creditor before it votes to accept or reject the Plan.***

Case Background. The Debtors commenced these chapter 11 cases on July 30, 2015 intending, with the active support and direction of their senior secured prepetition lenders, to sell substantially all of their assets within approximately 60 days. The proposed sale was based upon a $250 million credit bid submitted by certain of the senior secured prepetition lenders ("Stalking Horse"), who, together, were owed more than $360 million, and whose bid was subject to higher or better offers and Bankruptcy Court approval. The Stalking Horse lenders also agreed to provide debtor in possession ("DIP") financing for a period up to the anticipated sale closing date, October 20, in the amount of $49.5 million, which DIP financing was to be credited against the $250 million purchase price.

The Committee was formed on August 7, shortly after the Petition Date, and with its professionals quickly did its best to get up to speed and evaluate, among other things, the Stalking Horse's offer, the Debtors' proposed sale procedures, and DIP financing terms. On August 12, the Committee filed objections to, among other things, the expedited marketing and auction process proposed by the Debtors [Dkt. No. 165] in connection with the Stalking Horse Sale, and certain terms of the proposed DIP financing [Dkt. No. 170]. The objections of the Committee were consensually resolved prior to the hearing to approve the sale procedures and the DIP financing on a final basis, which resulted in certain material changes to both the proposed sale procedures and to the financing terms that were favorable to unsecured creditors, including: (i) the Committee's right to fully participate in and monitor the sale and an extended marketing process, (ii) the estates' retention of any and all claims and causes of action in favor of the estates against third parties (e.g., Chapter 5 Avoidance Actions were neither to be sold to a third party nor used as collateral for the DIP financing) and (iii) $2 million to be paid by the Stalking Horse into the Committee's counsel segregated account at the sale closing for the benefit of the general unsecured creditors. Notwithstanding the modified sale procedures and many third parties expressing an interest in the Debtors' businesses and related assets (or parts thereof), the auction failed to generate any higher or better offers.

Formation of the Plan. As a result of intense and extensive negotiations among the Debtors, the Debtors' founder and CEO, Ryan Kavanaugh, the Committee, the Stalking Horse and other parties in interest, it was agreed that (i) the Debtors would sell only their television assets to the Stalking Horse in consideration for a credit bid of $125 million, (ii) Kavanaugh and other investors would purchase the DIP loan and agree to limit the claim against the Debtors' estates for the same to $35 million (subsequently it was determined that Manchester would be the purchaser), and (iii) the Debtors would pursue a Chapter 11 plan of reorganization around their remaining film, sports and music businesses and related assets with new debt and equity capital being provided.

The Committee, having already secured $2 million in cash and third-party causes of action for the benefit of the general unsecured creditors under its agreement with the Stalking Horse, has been supportive of a plan process that affords the obvious benefits of maintaining the Debtors as a going concern. Further, it is anticipated that in the proposed reorganization, the dilution of the general unsecured creditor claim pool will be minimized by (i) elimination of hundreds of millions of dollars of indebtedness (whether by voluntary waiver, conversion to equity in the Reorganized Debtors, or Reinstatement) and (ii) assumption of executory contracts and payment of cure costs, rather than creation of rejection damages claims, which will enhance the recovery to general unsecured creditors—a result which appeared impossible in early October following the sale bid deadline.

Form of Distributions. As described more fully in the Disclosure Statement, under the Plan, except to the extent that a Holder of an Allowed General Unsecured

Claim agrees to less favorable treatment, on the Effective Date, the Reorganized Debtors shall be deemed substantively consolidated for plan purposes only, and each Holder of an Allowed General Unsecured Claim shall receive, subject to the terms of the Plan, in full satisfaction, settlement, release and discharge of, and in exchange for, such Claim, interests representing its Pro Rata share of (i) the Guaranteed GUC Payment and (ii) the GUC Causes of Action Interests; *provided*, *however*, that the sum of the Guaranteed GUC Payment and the GUC Litigation Trust Interests shall not exceed par. According to the Debtors, after making certain assumptions, this should result in an estimated recovery rate of 4 – 11.5% for the general unsecured creditor class.

The Committee believes that the Plan described in the Disclosure Statement represents a fair allocation of the Debtors' aggregate value among their General Unsecured Creditors.

The description above only summarizes certain aspects of the provisions contained in the Plan, and is not intended to be a substitute for your review of the Disclosure Statement approved by the Court. Creditors should carefully read the Plan and the Disclosure Statement (including, without limitation, all of the risk factors set forth therein) in their entirety before voting on the Plan.

The Debtors have provided you with a Ballot to vote to accept or reject the Plan. To have your vote counted, you must complete and return this Ballot, in accordance with the procedures set forth therein and in the Disclosure Statement, by no later than **January 20, 2016** by **4:00 p.m** (Prevailing Eastern Time). **PLEASE READ THE DIRECTIONS ON THE BALLOT CAREFULLY AND COMPLETE YOUR BALLOT IN ITS ENTIRETY BEFORE RETURNING IT TO THE AGENT.**

Please direct any questions regarding this letter and the matters discussed herein to counsel for the Committee, Togut, Segal & Segal LLP, at 212-594-5000 (Attn: Frank A. Oswald).

Sincerely,

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
RELATIVITY FASHION, LLC, ET AL.