Aéropostale

Restructuring Terms & Definitions

Automatic Stay – An immediate protection provided by the U.S. Bankruptcy Code, which prevents creditors from taking any action to collect payment from the debtor for any goods or services delivered before the bankruptcy petitions were filed or filing or continuation of any ancillary litigation or proceedings against a debtor.

Bankruptcy Petition – The legal document filed by each entity seeking the protection of the U.S. Bankruptcy Court to officially begin the bankruptcy process.

Chapter 11 – The chapter in the U.S. Bankruptcy Code that allows a company to secure relief from creditor claims and maintain normal business operations while it develops a plan for addressing its financial issues.

Claim – A formal statement from a creditor documenting how much it believes it is still owed for goods or services delivered to debtor before the debtor began its bankruptcy case. If a creditor fails to file a "Proof of Claim" form with the Bankruptcy Court prior to the deadline ("bar date"), it may be agreeing to the amount established in the schedule compiled by the debtor and may not collect anything above this amount.

> ***Secured Claims –*** Claims that have collateral backing their repayment, which accordingly receive the highest priority in a bankruptcy case. Secured claims are repaid first up to the value of the collateral securing the claim. Certain classes of "secured" bondholders, lenders (usually banks) and holders of subordinated debt may fall into this category.
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> ***Administrative Expenses –*** Debt incurred by the debtor, with court approval, after the bankruptcy filing, which may include wages, salaries, court costs, lawyers' fees, accountants' fees, trustees' expenses, etc. The administrative expenses represent the actual, necessary costs of completing the Chapter 11 process while preserving the value of the bankruptcy estate.
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> ***Priority Claims –*** Administrative expenses and certain expenses incurred prior to the bankruptcy filing (e.g., salaries, wages, employee benefits, customer deposits and taxes), which are repaid after secured claims but before unsecured claims at the conclusion of the bankruptcy process.
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> ***Unsecured Claims –*** A claim that does not have any collateral guaranteeing its repayment and is not granted a priority by the Bankruptcy Code. These claims are the last to be repaid in the bankruptcy process and, accordingly, are often not paid in full. A company's trade suppliers are among the most prominent unsecured creditors.

Claims Agent – A third-party hired by the debtor to ensure that the appropriate notifications are sent to any party who may have a claim in the bankruptcy case. Prime Clerk is the Claims Agent in Aéropostale's Chapter 11 case.

Confirmation – Approval by the Bankruptcy Court of the debtor's Plan of Reorganization.

Creditor – A party (lender, bond holders, employee, customer, supplier, landlord, equity investor, etc.) that has a claim against the debtor.

Debtor – The person or entity that seeks relief under the Bankruptcy Code.

Debtor-in-Possession (DIP) – A debtor that continues to operate its business while in bankruptcy (rather than being managed by a trustee).

Debtor-in-Possession (DIP) Financing – Special financing provided to companies in Chapter 11 to help meet near-term liquidity needs. The DIP financing must be approved by the Bankruptcy Court (generally approved on an interim basis as part of the First Day Motions hearing) and will have the highest priority for repayment at the end of the bankruptcy case.

First Day Declaration – The legal document filed with the Bankruptcy Court (typically alongside the Bankruptcy Petition), which describes the company, its financial challenges and why it is seeking relief under the Bankruptcy Code.

Emergence – When a debtor's Plan of Reorganization has been confirmed by the Bankruptcy Court and becomes effective, it is said to have "emerged" from bankruptcy. It is no longer considered a debtor in possession and no longer has the protection of the Bankruptcy Court.

Exclusivity Period – The exclusive right of a debtor in Chapter 11 to file a Plan of Reorganization during the first 120 days of a bankruptcy case. (This period may be extended.)

First Day Motions / Orders – A legal request (motion) filed by the debtor with the Bankruptcy Court immediately after filing the bankruptcy petition to request the Court's permission to continue certain payments and programs necessary to preserve business continuity. The most common First Day Motions request the Court's permission to access DIP financing, continue paying employee wages and benefits, honor customer programs and pay pre-petition claims to certain critical suppliers. The First Day Motions are typically heard within one to three days. Once the Bankruptcy Judge approves a motion, it becomes a First Day Order from the Bankruptcy Court.

Liquidity – A debtor's ability to pay its debts when due. Companies in distress carefully monitor liquidity to predict when customer payments will be made / what total sales volume will be in a week and use these calculations to time payments to suppliers, advisors and other business partners relative to the cash they need to have on hand to pay employees, make loan and interest payments, etc. Accordingly, one of the first signs that a company may be close to bankruptcy is a delay in suppliers' payments or payments not being made in full.

Normal / Ordinary Course – Transactions entered into as part of day-to-day business, as the relationship existed prior to filing for bankruptcy. Transactions that are considered to be outside of ordinary course (e.g., asset sales) must generally be approved by the court.

Plan of Reorganization – The legal document that explains how the claims of each creditor class will be addressed. The Plan is subject to a creditor vote and the approval of the Bankruptcy Court.

Post-Petition – The period of time between a Chapter 11 filing and the date the Plan of Reorganization becomes effective. This term is frequently used in explaining supplier rights as suppliers will be paid in the normal course for all goods and services delivered in the post-petition period but typically must wait until the end of a Chapter 11 case to be paid for pre-petition receivables pursuant to a Plan of Reorganization.

Pre-Petition – The period of time preceding a Chapter 11 filing. A company in Chapter 11 cannot pay pre-petition claims without the express permission of the Bankruptcy Court and typically will not be paid for these claims until the end of the Chapter 11 case.

Restructuring – An action or event that materially changes the financial or operating structure of a company, organization or government entity.

Unsecured Creditors Committee (UCC) – A group of creditors appointed by the U.S. Trustee to represent the unsecured creditors in a bankruptcy proceeding in an effort to maximize the dollar amount paid to all unsecured creditors.