

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

DEBTORS’ MOTION FOR ENTRY OF AN ORDER (A) APPROVING THE DISCLOSURE STATEMENT, (B) APPROVING CERTAIN DATES RELATED TO CONFIRMATION OF THE PLAN, (C) APPROVING CERTAIN VOTING PROCEDURES AND THE FORM OF CERTAIN DOCUMENTS TO BE DISTRIBUTED IN CONNECTION WITH SOLICITATION OF THE PLAN, AND (D) APPROVING PROPOSED VOTING AND GENERAL TABULATION PROCEDURES

The above-captioned debtors and debtors in possession (the “Debtors”) hereby move the Court for the entry of an order, in connection with the Court’s consideration of the adequacy of the Debtors’ disclosure statement (as it may be amended, the “Disclosure Statement”), under section 1125 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the “Bankruptcy Code”): (a) establishing the procedures for solicitation and tabulation of votes to accept or reject the Debtors’ Joint Chapter 11 Plan of Reorganization (as it may be amended, the “Plan”),² including approval of (i) the forms of ballots for submitting votes on the Plan, (ii) the deadline for submission of ballots, (iii) the contents of the proposed solicitation packages to be distributed to creditors and other parties in interest in connection with the solicitation of votes on the Plan (collectively, the “Solicitation Packages”), (iv) the proposed record date for Plan voting

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors’ address is 2016 Ayrley Town Center Boulevard, Suite 200, Charlotte, North Carolina 28273.

² Capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

and (v) certain related relief; and (b) scheduling a hearing on Confirmation of the Plan (the “Confirmation Hearing”) and approving related notice procedures. In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this Motion under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicates for the relief sought herein are sections 105(a), 502, 1123(a), 1124, 1125, 1126, and 1128 of the Bankruptcy Code, Rules 2002, 3003, 3016, 3017, 3018 and 3020 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rules 2002-1 and 3018-1 of the Rules of Practice and Procedure of the United States Bankruptcy Court for the Western District of North Carolina (the “Local Rules”).

BACKGROUND

3. On September 1, 2017 (the “Petition Date”), the Debtors filed voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code (collectively, the “Chapter 11 Cases”). The Debtors continue to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

4. An official committee of unsecured creditors (the “Committee”) has not yet been appointed by the Court in these cases.

5. A detailed description of the Debtors and their businesses, and the facts and circumstances supporting the Chapter 11 Cases, are set forth in greater detail in the Affidavit of John Grosso in Support of First Day Relief (the “First Day Affidavit”) incorporated herein by reference.

THE PLAN AND DISCLOSURE STATEMENT

6. As described in detail in the First Day Affidavit, the Debtors commenced these Chapter 11 Cases with a goal to effectuate a restructuring transaction whereby substantially all of the Debtors’ assets would be transferred to a newly created entity (the “Reorganized Debtor”), and the equity of the Reorganized Debtor (the “New Stock”) would be sold to new equity ownership through a rapid but thorough marketing and auction process (the “Sale Transaction”).

7. To pursue this restructuring transaction, the Debtors approached CapitalSouth Partners SBIC Fund III, L.P., CapitalSouth Partners Fund II Limited Partnership, and CapitalSouth Partners Florida Sidecar Fund II, L.P. (collectively the “Noteholders”), who hold the Debtors’ pre-petition senior secured debt, in regard to providing debtor-in-possession financing (“DIP Financing”) for a bankruptcy proceeding. The Noteholders expressed interest in providing the DIP Financing and serving as the stalking horse bidder for the New Stock in a bankruptcy sale process to be implemented under a chapter 11 plan of reorganization (the “Plan”).

8. To ensure that the value of the Debtors’ businesses is maximized, the Debtors will hold an auction for the New Stock (the “Auction”), with the Noteholders serving as the

stalking bidder, subject to Court approval.³ The Debtors and the Noteholders entered into a restructuring support agreement (the “RSA”) whereby the parties agreed to support the Sale Transaction and the Plan.⁴ Among other things, the RSA requires that an order confirming the Plan be entered by November 21, 2017.

9. Contemporaneously herewith, the Debtors have filed the Plan and accompanying disclosure statement (the “Disclosure Statement”).⁵ In accordance with section 1126 of the Bankruptcy Code, the Plan contemplates classifying holders of claims and interests into certain classes of claims and interests for all purposes, including with respect to voting on the Plan, as follows:

Class	Claim	Status	Voting Rights
1	Other Secured Claims	Unimpaired	Presumed to Accept
2	Other Priority Claims	Unimpaired	Presumed to Accept
3	Noteholder Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	Entitled to Vote
5	Intercompany Claims	Impaired	Presumed to Reject
6	Equity Interests	Impaired	Presumed to Accept
7	Section 510(b) Claims	Impaired	Presumed to Reject

³ For details regarding the Auction, please refer to *Debtors’ Motion for Order Under 11 U.S.C. Sections 105(a) and 363, Federal Rules of Bankruptcy Procedure 2002 and 6004 (A) Establishing the Form of Bidding Procedures for the Solicitation of Competing Offers to Purchase the Equity Interests in the Reorganized Company Pursuant to the Debtors’ Chapter 11 Plan; (B) Authorizing the Debtors to Conduct an Auction; and (C) Granting Related Relief (“Bid Procedures Motion”)*. [Docket # 20].

⁴ For details regarding the restructuring support agreement, please refer to *Debtors’ Motion for Entry of an Order Authorizing the Debtors to Assume Restructuring Support Agreement*. [Docket #21].

⁵ Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

RELIEF REQUESTED

10. By this Motion, the Debtors seek entry of an order (the “Disclosure Statement Order”), substantially in the form attached hereto: (a) approving the Disclosure Statement; (b) fixing, subject to modification as needed, the dates and deadlines as set forth in the Plan Confirmation Schedule (as defined below); (c) approving certain procedures by which creditors and holders of interests entitled to vote may vote to accept or reject the Plan, which procedures are described herein and set forth in **Exhibit 1** attached to the Disclosure Statement Order (the “Solicitation Procedures”), and the form of certain documents to be distributed in connection with the solicitation of the Plan, attached hereto as **Exhibits A** through **E**; and (d) approving the proposed voting and general tabulation procedures.

11. The Debtors seek the Bankruptcy Court’s approval for the schedule of events set forth below relating to confirmation of the Plan (the “Plan Confirmation Schedule”).

Date	Event(s)
October 9, 2017, 5:00 p.m. (ET)	Voting Record Date
October 12, 2017, 9:30 a.m. (ET)	Disclosure Statement Hearing
October 13, 2017	Solicitation Date
November 10, 2017, 5:00 p.m. (ET)	Voting Deadline Plan Objection Deadline
November 17, 2017, 9:30 a.m. (ET)	Confirmation Hearing

BASIS FOR RELIEF

A. The Disclosure Statement Contains “Adequate Information” and Should Be Approved

12. Pursuant to section 1125 of the Bankruptcy Code, the proponent of a proposed chapter 11 plan must provide holders of impaired claims and interests entitled to vote on the plan “adequate information” regarding that plan. Section 1125(a)(1) of the Bankruptcy Code states, in relevant part:

“[A]dequate information” means information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records, including a discussion of the potential material federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan

11 U.S.C. § 1125(a)(1).

13. Thus, a disclosure statement must, as a whole, provide information that is “reasonably practicable” to permit an “informed judgment” by creditors and interest holders, if applicable, to vote on a plan of reorganization. See, e.g., Century Glove, Inc. v. First Am. Bank of New York, 860 F.2d 94, 100 (3rd Cir. 1988) (“§ 1125 seeks to guarantee a minimum amount of information to the creditor asked for its vote”). Congress intended that such informed judgments would be needed both to negotiate the terms of and to vote on a plan of reorganization. Id. at 100.

14. Courts acknowledge that determining what constitutes “adequate information” for the purpose of satisfying Bankruptcy Code Section 1125 resides within the broad discretion of the court. See, e.g., Texas Extrusion Corp. v. Lockheed Corp. (In re Texas Extrusion Corp.), 844 F.2d 1142, 1157 (5th Cir. 1988) (“The determination of what is adequate information is subjective and made on a case by case basis. This determination is largely within the discretion

of the bankruptcy court”); In re PC Liquidation Corp., 383 B.R. 856, 865 (E.D.N.Y. 2008) (“The standard for disclosure is, thus, flexible and what constitutes ‘adequate disclosure’ in any particular situation is determined on a case-by-case basis, with the determination being largely within the discretion of the bankruptcy court”); In re Lisanti Foods, Inc., 329 B.R. 491, 507 (Bankr. D.N.J. 2005) (same); In re Phoenix Petroleum Co., 278 B.R. 385, 393 (Bankr. E.D. Pa. 2001) (same); In re River Village Assocs., 181 B.R. 795, 804 (E.D. Pa. 1995) (same).

15. The Disclosure Statement is the product of the Debtors’ extensive review and analyses of their businesses, assets and liabilities, and circumstances leading to the Chapter 11 Cases. In addition, the Disclosure Statement reflects: (a) the Debtors’ thorough analyses of the Plan; (b) the distributions, through the Plan, to holders of claims against the Debtors; (c) the effect of the Plan on holders of claims and interests and other parties in interest thereunder; and (d) the resultant restructuring of the Debtors’ estates if the Plan is confirmed and consummated. In performing these analyses, the Debtors sought and received the input of their advisors. The Debtors also sought and received input from their major constituents and such constituents’ advisors.

16. Specifically, the Disclosure Statement contains the pertinent information necessary for holders of claims to make an informed decision about whether to vote to accept or reject the Plan, including, among other things, information regarding:

- a. the Plan;
- b. the Debtors’ corporate history and corporate structure, business operations, and prepetition capital structure and indebtedness;
- c. the events leading to the Chapter 11 Cases and restructuring negotiations;
- d. the classification and treatment of claims and interests under the Plan;

- e. the means for implementation of the Plan;
- f. the provisions governing distributions under the Plan;
- g. the procedures for resolving contingent, unliquidated, and disputed claims under the Plan;
- h. release, exculpation, injunction, and related provisions of the Plan;
- i. the conditions precedent to the Effective Date;
- j. risk factors related to the Plan and alternatives to confirming and consummating the Plan; and
- k. certain U.S. federal income tax consequences of Plan implementation.

17. Accordingly, the Debtors respectfully submit that the Disclosure Statement contains more than sufficient information for a hypothetical reasonable investor to make an informed judgment about the Plan and complies with all aspects of section 1125 and should be approved. See In re U.S. Brass Corp., 194 B.R. 420, 424-25 (Bankr. E.D. Tex. 1996) (listing the factors courts have considered in determining the adequacy of information provided in a disclosure statement); In re Scioto Valley Mortg. Co., 88 B.R. 168, 170-71 (Bankr. S.D. Ohio 1988) (same). To the extent necessary, the Debtors will demonstrate at the hearing on this Motion (the “Disclosure Statement Hearing”) that the Disclosure Statement addresses the information set forth above in a manner that provides holders of claims entitled to vote to accept or reject the Plan with adequate information within the meaning of section 1125 of the Bankruptcy Code.

B. The Bankruptcy Court Should Approve the Setting of Certain Dates, as Proposed by the Debtors, Related to Confirmation of the Plan

18. The Debtors respectfully request that the Bankruptcy Court approve the setting of certain dates described herein and in the Solicitation Procedures, in accordance with section 1126(c) of the Bankruptcy Code and Bankruptcy Rules 3017(d) and 3018(a). In

compliance with Bankruptcy Rules 2002 and 3017, the Debtors are sending the notice of the Disclosure Statement Hearing, substantially in the form attached hereto as **Exhibit A**, to all holders of claims and interests and all other parties in interest identified on affidavits of service in these Chapter 11 Cases.

1. The Voting Record Date

19. Bankruptcy Rule 3017(d) provides that upon approval of a disclosure statement, except to the extent that the Bankruptcy Court orders otherwise with respect to one or more unimpaired classes of creditors or equity security holders, the debtor shall mail to all creditors and equity security holders, and the Bankruptcy Administrator for the Western District of North Carolina (the "Bankruptcy Administrator"), a copy of the plan, the disclosure statement, notice of the voting deadline, and such other information as the court may direct. For the purposes of soliciting votes in connection with the confirmation of a plan, "creditors and equity security holders shall include holders of stocks, bonds, debentures, notes and other securities of record on the date the order approving the disclosure statement is entered or another date fixed by the Bankruptcy Court, for cause, after notice and a hearing." FED. R. BANKR. P. 3017(d). Bankruptcy Rule 3018(a) contains a similar provision regarding determination of the record date for voting purposes.

20. Accordingly, the Debtors request that the Bankruptcy Court establish October 9, 2017 at 5:00 p.m. prevailing Eastern Time as the voting record date for purposes of determining which creditors and holders of interests are entitled to receive the solicitation materials required by Bankruptcy Rule 3017(d) and related documents (the "Solicitation Package") and to vote on the Plan (the "Voting Record Date").

21. The Debtors propose that with respect to any transferred claim, the transferee shall be entitled to receive a Solicitation Package and, if the holder of such claim is entitled to

vote with respect to the Plan, cast a Ballot (as defined below) on account of such claim only if: (a) the transfer or assignment has been fully effectuated pursuant to the procedures dictated by Bankruptcy Rule 3001(e); and (b) such transfer is reflected on the claims register for the Chapter 11 Cases (the “Claims Register”) on or before the Voting Record Date.

22. Furthermore, to avoid potential confusion, the Debtors believe that one record date should be established for all holders of claims. The Notice of (a) the Solicitation Procedures and (b) the Hearing to Confirm the Plan attached hereto as **Exhibit B** (the “Confirmation Hearing Notice”) will state prominently the Voting Record Date.

2. The Voting Deadline

23. Bankruptcy Rule 3017(c) provides, in relevant part, “[o]n or before approval of the disclosure statement, the court shall fix a time within which the holders of claims and interests may accept or reject the plan . . .” FED. R. BANKR. P. 3017(c).

24. The Debtors respectfully request that the Bankruptcy Court exercise its authority under Bankruptcy Rule 3017(c) to establish November 10, 2017, the date that is 7 calendar days before the hearing to be held by the Bankruptcy Court on confirmation of the Plan (the “Confirmation Hearing”), as the voting deadline (the “Voting Deadline”). The Debtors propose that, for votes to be counted, all Ballots must be properly executed, completed, and delivered as specified in section B of the Solicitation Procedures by the Voting Deadline. The Confirmation Hearing Notice will state prominently the Voting Deadline.

3. Procedures for Filing Objections to Confirmation of the Plan

25. The Debtors request that the Bankruptcy Court direct the manner in which objections to confirmation shall be made. Pursuant to Bankruptcy Rule 3020(b)(1), objections to confirmation of a plan must be filed and served “within a time fixed by the Bankruptcy Court.” FED. R. BANKR. P. 3020(b)(1).

26. In the Confirmation Hearing Notice, the Debtors intend to explain that objections to confirmation of the Plan or requests for modifications to the Plan, if any, must:

- a. be in writing;
- b. conform to the Bankruptcy Rules and the Local Rules;
- c. state the name and address of the objecting Entity and the amount and nature of the Claim or Interest of such Entity;
- d. state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and
- e. be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is actually received by the notice parties identified in the Confirmation Hearing Notice on or prior to the Plan Objection Deadline.

27. The Debtors request that the Bankruptcy Court establish to establish November 10, 2017, the date that is 7 calendar days before the Confirmation Hearing as the deadline for filing and serving objections and proposed modifications to the plan (the “Plan Objection Deadline”). The Debtors believe that the Plan Objection Deadline will afford the Bankruptcy Court, the Debtors, and other parties in interest reasonable time to consider the objections and proposed modifications prior to the Confirmation Hearing.

4. The Confirmation Hearing

28. In accordance with Bankruptcy Rule 3017(c) and section 1128 of the Bankruptcy Code (requiring a confirmation hearing with respect to any chapter 11 plan), the Debtors request that the Confirmation Hearing be scheduled on November 17, 2017 at 9:30 a.m. (prevailing Eastern Time).

29. The Debtors submit that the proposed timing for the Confirmation Hearing is in compliance with the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules and will

enable the Debtors to pursue confirmation on a timely basis and satisfy the milestones in the RSA.

C. The Bankruptcy Court Should Approve the Solicitation and Notice Procedures

30. To conduct an effective solicitation of votes to accept or reject the Plan in a manner that is consistent with the requirements of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and due process, the Debtors seek approval of the Solicitation Procedures described herein and set forth in **Exhibit 1** attached to the Disclosure Statement Order. The Debtors believe that the Solicitation Procedures are well-designed and specifically tailored to solicit votes to accept or reject the Plan effectively. To the extent that circumstances require further modifications of, or amendments to, the Solicitation Procedures, the Debtors reserve the right to supplement or amend the Solicitation Procedures to further facilitate the solicitation of the Plan.

31. On September 1, 2017, the Debtors filed an Application seeking authorization to retain Rust Consulting/Omni Bankruptcy (either “Rust” or the “Administrative Agent”) to, among other things, act as administrative agent in connection with the solicitation of votes on any chapter 11 plan of reorganization. The Debtors respectfully request that the Administrative Agent be authorized (to the extent not already authorized), in conjunction with the Debtors, to assist the Debtors in:

- a. distributing the Solicitation Packages;
- b. receiving, tabulating, and reporting on Ballots cast to accept or reject the Plan by holders of claims;

- c. responding to inquiries from holders of claims and interests and other parties in interest relating to the Disclosure Statement, the Plan, the Ballots, the Solicitation Procedures and all other documents contained in the Solicitation Package and matters related thereto, including, without limitation, the procedures and requirements for voting to accept or reject the Plan and for objecting to the Plan;
- d. soliciting votes to accept or reject the Plan; and
- e. if necessary, contacting holders of claims and interests regarding the Plan.

32. The Debtors propose to distribute the Solicitation Package required by Bankruptcy Rule 3017(d) to those entities entitled to vote on the Plan in the form and manner described below and set forth in Section C of the Solicitation Procedures.

33. Specifically, the Solicitation Package shall contain copies of the following:

- a. either (i) the Disclosure Statement Order (with the Solicitation Procedures, which shall be attached as Exhibit 1 thereto) and the approved form of the Disclosure Statement (together with the Plan) in either paper, USB flash drive, or CD-ROM format with an appropriate form of Ballot and voting instructions with respect thereto, if applicable (with a pre-addressed, postage prepaid return envelope); or (ii) a Non-Voting Status Notice (as defined below);
- b. the Confirmation Hearing Notice; and
- c. such other materials as the Bankruptcy Court may direct or authorize.

34. Through the Administrative Agent, the Debtors intend to distribute the Solicitation Packages on or around October 13, 2017, which is approximately 28 calendar days before the Voting Deadline (the "Solicitation Date"). The Debtors submit that distribution of the Solicitation Packages approximately 28 calendar days before the Voting Deadline will provide the requisite materials to holders of claims entitled to vote on the Plan in compliance with Bankruptcy Rules 3017(d) and 2002(b). See FED. R. BANKR. P. 3017(d) (providing that, after approval of a disclosure statement, a debtor must transmit the plan, the approved disclosure

statement, a notice of the time within which acceptances and rejections of such plan may be filed, and any other information that the Bankruptcy Court may direct to certain holders of claims). See FED. R. BANKR. P. 2002(b).

D. The Bankruptcy Court Should Approve the Form of the Ballots

35. In accordance with Bankruptcy Rule 3018(c), the Debtors have prepared and customized ballots (“Ballots”) for holders (“Holders”) of Claims (substantially in the form of the Ballots attached as Exhibit C hereto) to tabulate acceptances and rejections of the Plan.

36. The forms of the Ballots are based on Official Form No. 14 and have been modified to: (a) address the particular circumstances of the Chapter 11 Cases; and (b) include certain additional information that the Debtors believe to be relevant and appropriate for each class of claims entitled to vote on the Plan. See FED. R. BANKR. P. 3017(d) (debtors shall mail a form of ballot conforming to the appropriate Official Form to creditors and equity security holders).

37. As noted above, the solicitation process shall be conducted by the Administrative Agent. Pursuant to the Solicitation Procedures, the Administrative Agent will distribute the appropriate Ballots to Holders of Claims in Classes 3 and 4 (collectively, the “Voting Classes”). Classes 1 and 2 are unimpaired and are conclusively presumed to have accepted the Plan (collectively, the “Unimpaired Classes”). As such, Holders of Claims and Interests in these Classes will receive notice of their non-voting status in lieu of the Solicitation Package. Classes 5, 6 and 7 are impaired and are conclusively presumed pursuant to section 1126(g) of the Bankruptcy Code to have rejected the Plan (the “Non-Voting Impaired Class”). As such, Holders of Claims and Interests in these Classes will receive a notice of their non-voting status as described below in lieu of the Solicitation Package

38. The Debtors submit that the forms of the Ballots comply with Bankruptcy Rule 3018(c) and, therefore, should be approved.

E. The Bankruptcy Court Should Approve the Form of the Confirmation Hearing Notice

39. Bankruptcy Rules 2002(b) and (d) require not less than 28 days' notice to all holders of claims or equity interests of the time fixed for filing objections to the hearing on confirmation of a chapter 11 plan. To satisfy this requirement, the Debtors intend to send to all Holders of Claims and Interests, as part of the Solicitation Package, a copy of the Confirmation Hearing Notice. In accordance with Bankruptcy Rules 2002 and 3017(d), the Confirmation Hearing Notice shall contain, among other things:

- a. the time, date and place for the Confirmation Hearing;
- b. the Voting Record Date;
- c. the Voting Deadline;
- d. the Plan Objection Deadline and the manner in which objections shall be filed;
- e. the procedures for the temporary allowance of Claims; and
- f. a disclosure regarding the release, exculpation, and injunction provisions of Article IX of the Plan.

40. Additionally, the Confirmation Hearing Notice shall inform Entities that the Solicitation Package may be obtained: (1) by accessing the Administrative Agent's website at www.omnimgt.com/PortraitInnovations; (2) by submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; or (3) calling the Administrative Agent at (818)906-8300.

41. The Debtors respectfully request that the Bankruptcy Court find that the Confirmation Hearing Notice complies with the requirements of Bankruptcy Rule 2002(b) and

(d). The Debtors further request that the Bankruptcy Court determine that the Confirmation Hearing Notice contains sufficient disclosure regarding the release, exculpation, and injunction provisions contained in Article IX of the Plan.

42. In addition to mailing the Confirmation Hearing Notice, the Debtors propose to publish the Confirmation Hearing Notice (in a format modified for publication) in the *Wall Street Journal* on a date no fewer than 15 calendar days prior to the Voting Deadline.

43. Bankruptcy Rule 2002(l) permits the Bankruptcy Court to “order notice by publication if it finds that notice by mail is impracticable or that it is desirable to supplement notice.” FED. R. BANKR. P. 2002(l). The Debtors believe that publication of the Confirmation Hearing Notice will provide sufficient notice of the approval of the Disclosure Statement, the date for the Confirmation Hearing, the Voting Record Date, the Voting Deadline, and the Plan Objection Deadline to Entities who will not otherwise receive notice by mail as provided in the Solicitation Procedures.

F. The Bankruptcy Court Should Approve the Form of Notices to Classes Deemed to Accept or Reject the Plan

44. In compliance with section 1123(a)(1) of the Bankruptcy Code and as reflected in Article II of the Plan, Administrative Expense Claims and Priority Tax Claims are not classified and will be unimpaired under the Plan. See 11 U.S.C. § 1123(a)(1) (providing for classification of claims other than administrative and priority tax claims). As such, these unclassified Claims are not entitled to vote on the Plan. Article III of the Plan also provides that the Unimpaired Classes are deemed to accept the Plan and, therefore, Holders of such Claims and Interests are not entitled to vote on the Plan.

45. Thus, the Debtors do not intend to solicit votes from Holders of unclassified Claims or Holders of Claims in Unimpaired Classes. The Debtors will, however, send the

Non-Voting Status Notice with Respect to Unimpaired Classes Deemed to Accept the Debtors' Joint Chapter 11 Plan, substantially in the form attached hereto as **Exhibit D** (the "Non-Voting Status Notice–Deemed to Accept"), in lieu of the Solicitation Package, to the Holders of Claims and Interests in the Unimpaired Classes. The Non-Voting Status Notice–Deemed to Accept will explain to such Holders their non-voting status and that such Holder may obtain certain materials in the Solicitation Package from the Administrative Agent. The Debtors respectfully submit that the Non-Voting Status Notice–Deemed to Accept complies with the Bankruptcy Code and, therefore, should be approved.

46. Further, the Debtors do not intend to solicit votes from Holders of Claims or Interests in the Non-Voting Impaired Class. The Debtors will, however, send the *Non-Voting Status Notice with Respect to Impaired Classes Deemed to Reject the Debtors' Joint Chapter 11 Plan*, substantially in the form attached hereto as **Exhibit E** (the "Non-Voting Status Notice–Deemed to Reject," and together with the Non-Voting Status Notice–Deemed to Accept, the "Non-Voting Status Notices"), in lieu of the Solicitation Package, to the Holders of Claims or Interests in the Non-Voting Impaired Class. The Non-Voting Status Notice–Deemed to Reject will explain to such Holders their non-voting status and that such Holder may obtain certain materials in the Solicitation Package from the Administrative Agent. The Debtors respectfully submit that the Non-Voting Status Notice–Deemed to Reject complies with the Bankruptcy Code and, therefore, should be approved.

G. The Bankruptcy Court Should Approve the Voting and General Tabulation Procedures

47. The Debtors respectfully request that the Bankruptcy Court approve the voting and tabulation procedures described in Section D of the Solicitation Procedures, which are in

accordance with section 1126(c) of the Bankruptcy Code and Bankruptcy Rule 3018(a) (the “Voting and Tabulation Procedures”). Section 1126(c) of the Bankruptcy Code provides:

A class of claims has accepted a plan if such plan has been accepted by creditors, other than any entity designated under section (e) of this section, that hold at least two-thirds in amount and more than one-half in number of the allowed claims of such class held by creditors, other than any entity designated under subsection (e) of this section, that have accepted or rejected the plan.

11 U.S.C. § 1126(c).

1. The General Tabulation Procedures

48. In tabulating votes, the Debtors propose that the hierarchy described in Section D.2 of the Solicitation Procedures shall be used to determine the amount of the Claim associated with each Holder’s vote. The amount of the Claim established pursuant to Section D.2 of the Solicitation Procedures shall control for voting purposes only and shall not constitute the Allowed amount of any Claim for purposes of distribution under the Plan or the amount of any Claim for any other purpose.

49. The Debtors also propose to use the voting procedures and standard assumptions in tabulating the Ballots set forth in Section D.3 of the Solicitation Procedures.

50. The Debtors believe that the requested Solicitation Procedures and other relief requested herein are cost-effective, provide adequate notice and opportunity to be heard, and are in the best interests of the estates, Holders of Claims and Interests, and other parties in interest. Accordingly, the Debtors submit that they have shown good cause for the relief requested herein.

2. Temporary Allowance of Claims and Interests for Voting Purposes

51. Pursuant to section 1126(a) of the Bankruptcy Code, only “holder[s] of claim[s] or interest[s] allowed under section 502 . . . may accept or reject a plan.” 11 U.S.C. § 1126(a). Under section 502(a) of the Bankruptcy Code, “[a] claim or interest, proof of which

is filed under section 501 . . . , is deemed allowed, unless a party in interest . . . objects.” 11 U.S.C. § 502(a). Based on the foregoing, except as set forth below, Holders of Claims for which an objection is pending as of the Voting Record Date are not entitled to vote on the Plan.

52. Bankruptcy Rule 3018(a) provides for temporary allowance of claims and interests for which an objection is pending at the time when plan votes are solicited so that holders may vote such claims or interests at a temporarily allowed amount. See FED. R. BANKR. P. 3018(a). In light of Bankruptcy Rule 3018(a), the Debtors will send Holders of Claims whose Claims are subject to an objection on the Voting Record Date, if any, a *Non-Voting Status Notice with Respect to Disputed Claims* (the “Disputed Claim Notice”), substantially in the form attached hereto as **Exhibit F**, in lieu of the Solicitation Package.

53. The Disputed Claim Notice will inform relevant Holders that their respective Claim is subject to an objection and that the Holder of such Claim cannot vote any disputed portion of its Claim unless one or more of the following events have taken place at least five business days before the Voting Deadline (each, a “Resolution Event”):

- a. an order of the Bankruptcy Court is entered allowing such Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing;
- b. an order of the Bankruptcy Court is entered temporarily allowing such Claim for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing;
- c. a stipulation or other agreement is executed between the Holder of such Claim and the Debtors resolving the objection and allowing such Claim in an agreed upon amount;
- d. a stipulation or other agreement is executed between the Holder of such Claim and the Debtors temporarily allowing the Holder of such Claim to vote its Claim in an agreed upon amount; or
- e. the pending objection to such Claim is voluntarily withdrawn by the Debtors.

54. No later than two business days after a Resolution Event, the Administrative Agent shall distribute the Solicitation Package and a pre-addressed, postage pre-paid envelope to the relevant Holder of the temporarily allowed Claim that has been allowed for voting purposes only (or for other purposes as set forth in an applicable order of the Bankruptcy Court) by such Resolution Event, and the Ballot, as applicable, must be returned according to the instructions on the Ballot no later than the Voting Deadline.

55. If the Holder of a Claim receives a Solicitation Package and the Debtors object to such Claim after the Voting Record Date, but at least 15 calendar days prior to the Confirmation Hearing, the Debtors' shall provide a Disputed Claim Notice to such Holder informing such Holder of the rules applicable to Claims subject to a pending objection and the procedures for temporary allowance for voting purposes. Furthermore, if the Holder of a Claim receives a Solicitation Package and the Debtors object to such Claim less than 15 calendar days prior to the Confirmation Hearing, the Holder's Claim shall be deemed temporarily allowed for voting purposes only without further action by the Holder of such Claim and without further order of the Bankruptcy Court, unless the Bankruptcy Court orders otherwise.

56. The Debtors submit that such notice procedures with respect to Claim subject to a pending objection satisfy the requirements of the Bankruptcy Code and the Bankruptcy Rules.

3. Returned Solicitation Packages and Notices

57. The Debtors anticipate that some of the notices of the Disclosure Statement Hearing that are sent to Holders of Claims may be returned by the United States Postal Service or other carrier as undeliverable. The Debtors believe that it would be costly and wasteful to mail Solicitation Packages to the same addresses to which undeliverable notices of the Disclosure Statement Hearing were mailed. Therefore, the Debtors seek the Bankruptcy Court's approval for a departure from the strict notice rule requiring the Debtors to mail Solicitation Packages to those Entities listed at such addresses, unless the Debtors, through the Administrative Agent (as a result of such Entity providing written notice to the Administrative Agent at Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367) are provided with accurate addresses for such Entities not less than ten calendar days prior to the Solicitation Date. If a Holder of a Claim or Interest has changed its mailing address after September 1, 2017, the date each of the Debtors filed a voluntary petition with the Court under chapter 11 of the Bankruptcy Code, the burden should be on the Holder — not the Debtors — to advise the Administrative Agent and the Debtors of the new address.

4. Non-Substantive or Immaterial Modification

58. The Debtors request authorization, subject to the consent of the Noteholder Agent, to make non-substantive or immaterial changes to the Disclosure Statement, Plan, Ballots, Confirmation Hearing Notice, and related documents without further order of the Court, including, without limitation, changes to correct typographical and grammatical errors and to make conforming changes among the Disclosure Statement, the Plan and any other materials in the Solicitation Package prior to their distribution.

NOTICE

59. The Debtors have provided notice of this Motion to: (a) the Office of the Bankruptcy Administrator for the Western District of North Carolina; (b) counsel to any official committee of unsecured creditors appointed in the Chapter 11 Cases, if such a committee is appointed, otherwise, to the Debtors' creditors holding the twenty (20) largest unsecured claims; (c) counsel to the Noteholders; (d) the Internal Revenue Service; (e) the United States Department of Justice; (f) the Securities and Exchange Commission; and (g) all of the Debtors' creditors who have filed request for notice pursuant to Bankruptcy Rule 2002(b) prior to the filing of this Motion. In light of the nature of the relief requested in this Motion, the Debtors respectfully submit that no further notice is necessary.

NO PRIOR REQUEST

60. No prior motion for the relief requested herein has been filed in this or any other court.

WHEREFORE, the Debtors respectfully request entry of the Disclosure Statement Order:

(a) approving the Disclosure Statement; (b) approving the dates contained in the Plan Confirmation Schedule; (c) approving the Solicitation Procedures and the documents comprising the Solicitation Package; (d) approving the proposed voting and general tabulation procedures; and (e) granting such other and further relief as is just and proper.

This is the 8th day of September 2017.

By: /s/ John R. Miller, Jr.
John R. Miller, Jr.
N.C. State Bar No. 28689
Paul R. Baynard
N.C. State Bar No. 15769
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*Proposed Counsel for Debtors and
Debtors-in-Possession*

Proposed Order

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

**ORDER (A) APPROVING THE DISCLOSURE STATEMENT,
(B) APPROVING CERTAIN DATES RELATED TO CONFIRMATION
OF THE PLAN, (C) APPROVING CERTAIN VOTING PROCEDURES
AND THE FORM OF CERTAIN DOCUMENTS TO BE DISTRIBUTED IN
CONNECTION WITH THE SOLICITATION OF THE PLAN, AND (D) APPROVING
PROPOSED VOTING AND GENERAL TABULATION PROCEDURES**

Upon the *Debtors' Motion for Entry of an Order (A) Approving the Disclosure Statement, (B) Approving Certain Dates Related to Confirmation of the Plan, (C) Approving Certain Voting Procedures and the Form of Certain Documents to be Distributed In Connection With Solicitation of the Plan, and (D) Approving Proposed Voting and General Tabulation*

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors' address is 2016 Aysley Town Center Boulevard, Suite 200, Charlotte, North Carolina 28273.

Procedures (the “Motion”);² and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and the Court have found that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and the Court having found that venue of this proceeding and the Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409;

IT IS HEREBY FURTHER FOUND AND DETERMINED THAT:

1. The Motion is granted as set forth herein.
2. The Plan Confirmation Schedule is approved in its entirety.
3. The form of the Disclosure Statement Hearing notice, substantially in the form attached to the Motion as **Exhibit A**, is hereby approved.
4. The Debtors have provided adequate notice of the time fixed for filing objections and the hearing to consider approval of the Disclosure Statement in accordance with Bankruptcy Rules 2002 and 3017 and Local Rule 2002-1 and 3018-1.
5. Any objections to approval of the Disclosure Statement that were not withdrawn or resolved at or prior to the hearing to consider approval of the Disclosure Statement are overruled.
6. The Disclosure Statement complies with all aspects of section 1125 of the Bankruptcy Code and is hereby approved as containing adequate information (as defined by section 1125(a) of the Bankruptcy Code).
7. October 9 2017, 5:00 p.m. prevailing Eastern Time, shall be the Voting Record Date for determining: (a) the Holders of Claims and Interests (including “holders of bonds, debentures, notes and other securities”) that are entitled to receive the Solicitation Package pursuant to the Solicitation Procedures; (b) the Holders of Claims entitled to vote to accept the Plan; and (c) whether Claims and Interests have been properly transferred or assigned to an

² Capitalized terms used but not defined herein shall have the meanings given to them in the Motion.

assignee, including the requirements that: (i) the transfer or assignment has been fully effectuated pursuant to the procedures dictated by Bankruptcy Rule 3001(e); and (ii) such transfer is reflected on the Claims Register on or before the Voting Record Date.

8. The Disclosure Statement, the Plan, and the Ballots provide Holders of Claims and Interests and other parties in interest with sufficient notice regarding the release, exculpation, and injunction provisions contained in the Plan in compliance with Bankruptcy Rule 3016(c).

9. The Solicitation Procedures attached hereto as **Exhibit 1** and incorporated by reference herein are hereby approved in their entirety, provided that the Debtors reserve the right to amend or supplement the Solicitation Procedures to better facilitate the solicitation process.

10. The procedures for distribution of the Solicitation Packages set forth in the Motion and the Solicitation Procedures satisfy the requirements of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules, and the Debtors shall distribute or cause to be distributed Solicitation Packages to all Entities entitled to vote to accept or reject the Plan.

11. The form of the Confirmation Hearing Notice, substantially in the form attached to the Motion as **Exhibit B**, complies with the requirements of Bankruptcy Rules 2002(b), 2002(d), and 3017(d) and is hereby approved.

12. The Debtors shall publish the Confirmation Hearing Notice (in a format modified for publication) in the *Wall Street Journal* on a date no fewer than 15 calendar days prior to the Voting Deadline.

13. The Ballots, substantially in the forms attached to the Motion as **Exhibit C** are hereby approved.

14. The form of the voting instructions, substantially in the form attached to the Ballots on **Exhibits C** to the Motion, are hereby approved.

15. All votes to accept or reject the Plan must be cast by using the appropriate Ballot.

16. All Ballots must be properly executed, completed, and delivered according to their applicable voting instructions by: (a) first class mail, in the return envelope provided with each Ballot; (b) overnight courier; or (c) personal delivery, so that the Ballots are received by the Administrative Agent no later than the Voting Deadline at the return address set forth in the applicable Ballot.

17. The Non-Voting Status Notice-Deemed to Accept, substantially in the form attached to the Motion as **Exhibit D**, is hereby approved.

18. The Non-Voting Status Notice-Deemed to Reject, substantially in the form attached to the Motion as **Exhibit E**, is hereby approved.

19. Ballots and copies of the Plan and Disclosure Statement need not be provided to the Holders of Claims who are in Unimpaired Classes or who are unclassified under the Plan and are, therefore, deemed to accept the Plan.

20. The form of the Disputed Claim Notice, substantially in the form attached to the Motion as **Exhibit F**, is hereby approved.

21. The Debtors shall be excused from mailing Solicitation Packages to those Entities to whom the Debtors mailed a notice regarding the Disclosure Statement Hearing and received a notice from the United States Postal Service or other carrier that such notice was undeliverable unless such Entity provides the Debtors, through the Administrative Agent, an accurate address not less than ten calendar days prior to the Solicitation Date. If an Entity has changed its mailing address after the Petition Date, the burden is on such Entity, not the Debtors, to advise the Debtors and the Administrative Agent of the new address.

22. The Voting Deadline shall be 5:00 p.m. prevailing Eastern Time on November 10, 2017.

23. The Plan Objection Deadline shall be 5:00 p.m. prevailing Eastern Time on November 10, 2017.

24. Any objections to the Plan must be filed by the Plan Objection Deadline and must: (a) be in writing; (b) conform to the Bankruptcy Rules and the Local Rules; (c) state the name and address of the objecting party and the amount and nature of the Claim or Interest of such Entity; (d) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and (e) be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is actually received by the notice parties identified in the Confirmation Hearing Notice (attached to the Motion as **Exhibit B**) no later than the Plan Objection Deadline.

25. The Confirmation Hearing shall commence on November 17, 2017 at 9:30 a.m. (prevailing Eastern Time), which hearing may be continued from time to time by the Court or the Debtors without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Court and served on (a) all entities that have filed a request for service of filings in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002 and (b) other parties entitled to notice.

26. The Debtors are authorized, subject to the consent of the Noteholder Agent, to make non-substantive or immaterial changes to the Disclosure Statement, Plan, Ballots, Confirmation Hearing Notice, and related documents without further order of the Court, including, without limitation, changes to correct typographical and grammatical errors and to make conforming changes among the Disclosure Statement, the Plan, and any other materials in the Solicitation

Package after the entry of this Order and prior to the distribution of the Solicitation Package and related materials.

27. The terms of this Order shall be binding upon the Debtors, all Holders of Claims and Interests, and any trustees appointed under chapter 7 or chapter 11 of the Bankruptcy Code relating to the Debtors and all other parties in interest.

28. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

29. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

26. Notwithstanding the possible applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

27. The Court shall retain jurisdiction to hear and determine all matters arising from or relating to the interpretation or implementation of this Order.

This Order has been signed electronically. The judge's signature and court's seal appear at the top of the Order.

United States Bankruptcy Court

EXHIBIT 1

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

SOLICITATION PROCEDURES

On September 8, 2107, the above-captioned debtors and debtors-in-possession (the “Debtors”) filed: (a) the *Disclosure Statement for the Debtors’ Joint Chapter 11 Plan of Reorganization* (the “Disclosure Statement”); (b) the *Debtors’ Joint Chapter 11 Plan of Reorganization* (the “Plan”); and (c) the *Debtors’ Motion for Entry of an Order: (a) Approving the Disclosure Statement, (b) Approving Certain Dates Related to Confirmation of the Plan, (c) Approving Certain Voting Procedures and the Form of Certain Documents to be Distributed in Connection with Solicitation of the Plan, and (d) Approving Proposed Voting and General Tabulation Procedures* (the “Motion”). On the date of the order to which these Solicitation Procedures are attached, the Bankruptcy Court entered an order approving the Motion and the Solicitation Procedures set forth herein (the “Disclosure Statement Order”).²

Definitions

- a. “**Ballot**” means the ballots accompanying the Disclosure Statement upon which certain Holders of Impaired Claims entitled to vote shall, among other things, indicate their acceptance or rejection of the Plan in accordance with the Plan and the procedures governing the solicitation process, and which must be actually received on or before the Voting Deadline.
- b. “**Bankruptcy Court**” means the United States Bankruptcy Court for the Western District of North Carolina having jurisdiction over the Chapter 11 Cases.

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors address is 2016 Aysley Town Center Boulevard, Suite 200, Charlotte North Carolina 28273.

² Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion, the Plan or the Disclosure Statement, as applicable. A copy of the Motion, the Disclosure Statement, and the Plan may be obtained: (a) from the Administrative Agent (i) by accessing the Administrative Agent’s website at www.omnimgt.com/PortraitInnovations; or (ii) by submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367 (b) for a fee via PACER at <https://ecf.ncwb.uscourts.gov>.

- c. **“Confirmation Hearing”** means the hearing conducted by the Bankruptcy Court pursuant to section 1128(a) of the Bankruptcy Code to consider confirmation of the Plan, as such hearing may be adjourned or continued from time to time and which currently is scheduled for **November 17, 2017 at 9:30 a.m. (prevailing Eastern Time)**.
 - d. **“Confirmation Hearing Notice”** means that certain notice of the Confirmation Hearing approved by the Bankruptcy Court in the Disclosure Statement Order.
 - e. **“Disclosure Statement”** means the Disclosure Statement approved by the Bankruptcy Court in the Disclosure Statement Order.
 - f. **“Disclosure Statement Order”** means the Order (a) Approving the Disclosure Statement, (b) Approving Certain Dates Related to Confirmation of the Plan, (c) Approving Certain Voting Procedures and the Form of Certain Documents to be Distributed in Connection with Solicitation of the Plan, and (d) Approving Proposed Voting and General Tabulation Procedures.
 - g. **“General Tabulation Procedures”** means the Procedures set forth herein for the purposes of tabulating votes to accept or reject the Plan.
 - h. **“Non-Voting Status Notice-Deemed to Accept”** means the notice of non-voting status that the Holders of Claims and Interests in Classes 1 and 2 who are deemed to accept the Plan will receive in lieu of a Ballot.
 - i. **“Non-Voting Status Notice-Deemed to Reject”** means the notice the Holders of Claims and Interests in Classes 5, 6, and 7 who are deemed to reject the Plan will receive in lieu of a Ballot.
 - j. **“Administrative Agent”** means Rust Consulting/Omni Bankruptcy retained as the Debtors’ notice, claims, and solicitation agent.
 - k. **“Plan”** means the Debtors’ Joint Plan of Reorganization.
 - l. **“Plan Objection Deadline”** means **November 10, 2017, at 5:00 p.m. (prevailing Eastern Time)**, the date set by the Bankruptcy Court as the deadline to file and serve objections to the Plan.
 - m. **“Resolution Event”** has the meaning set forth in section D.4 of the Solicitation Procedures.
 - n. **“Solicitation Package”** consists of the documents set forth in section C.1. of the Solicitation Procedures.
 - o. **“Solicitation Procedures”** means the procedures set forth herein.
-

- p. **“Voting Deadline”** means **November 10, 2017 at 5:00 p.m. (prevailing Eastern Time)**, the date set by the Bankruptcy Court as the deadline for receipt of Ballots by the Administrative Agent.
- q. **“Voting Record Date”** has the meaning set forth in section A of the Solicitation Procedures.

Solicitation Procedures

A. The Voting Record Date

The Bankruptcy Court has approved **October 9, 2017 at 5:00 p.m.** (prevailing Eastern Time), as the record date (the **“Voting Record Date”**) for purposes of determining, among other things, which Holders of Claims are entitled to vote on the Plan.

B. The Voting Deadline

The Bankruptcy Court has approved **November 10, 2017, at 5:00 p.m.** (prevailing Eastern Time) as the deadline for the delivery of Ballots voting to accept or reject the Plan (the **“Voting Deadline”**). To be counted as votes to accept or reject the Plan, all Ballots, as applicable, must be properly executed, completed, and delivered by using the return envelope provided or by delivery by: (a) first class mail; (b) overnight courier; or (c) personal delivery, so that they are actually received no later than the Voting Deadline by the Administrative Agent. The Ballots will clearly indicate the appropriate return address. Ballots returnable to the Administrative Agent should be sent to: **Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367.**

C. Solicitation Procedures

1. **The Solicitation Package:** The Solicitation Package shall contain copies of the following:

- a. either (i) the Disclosure Statement Order (with the Solicitation Procedures, which shall be attached as **Exhibit 1** thereto) and the approved form of the Disclosure Statement (together with the Plan) in either paper, USB flash drive, or CD-ROM format with an appropriate form of Ballot and voting instructions with respect thereto, if applicable (with a pre-addressed, postage prepaid return envelope); or (ii) a Non-Voting Status Notice;
- b. the Confirmation Hearing Notice; and
- c. such other materials as the Bankruptcy Court may direct or authorize.

2. **Distribution of the Solicitation Packages:** The Solicitation Package shall be served on the following Entities:

- a. Holders of Claims or Interests for which a Proof of Claim or Interest has been timely filed, as reflected on the Claims Register as of the Voting Record Date; provided, however, that Holders of Claims and Interests to which an objection is pending at least 15 days prior to the Confirmation Hearing shall not be entitled to vote unless such Holders become eligible to vote through a Resolution Event in accordance with section D.4 herein;
- b. All Entities listed in the Debtors' Schedules³ shall receive a Solicitation Package with the exception of those Claims and Interests that are scheduled as contingent, unliquidated, disputed, or any combination thereof (excluding such scheduled Claims and Interests that have been superseded by a timely-filed Proof of Claim), including all counterparties to executory contracts and unexpired leases; and
- c. Holders whose Claims or Interests arise pursuant to an agreement or settlement with the Debtors, as reflected in a document filed with the Bankruptcy Court, in an order of the Bankruptcy Court or in a document executed by the Debtors pursuant to authority granted by the Bankruptcy Court, in each case regardless of whether a Proof of Claim or Interest has been filed.

The Debtors shall make every reasonable effort to ensure that Holders of more than one Claim in a single Voting Class receive no more than one Solicitation Package on account of such Claims.

3. Distribution of Materials: In addition, the following Entities shall be served either paper copies, USB flash drive, or a CD-ROM containing the Disclosure Statement Order, the Disclosure Statement, and all exhibits to the Disclosure Statement, including the Plan: (a) the Office of the United States Bankruptcy Administrator for the Western District of North Carolina; (b) counsel to any official committee of unsecured creditors appointed in the Chapter 11 Cases, if such a committee is appointed, otherwise, to the Debtors' creditors holding the twenty (20) largest unsecured claims; (c) counsel to the Noteholders; (d) the Internal Revenue Service; (e) the Securities and Exchange Commission; (f) all those persons and entities that have formally requested notice, pursuant to Bankruptcy Rule 2002 and the Local Rules; and (g) all other parties in interest identified on affidavits of service in these Chapter 11 Cases.

4. Publication of Confirmation Hearing Notice: The Debtors shall, following the Disclosure Statement Hearing, publish the Solicitation Notice, which will contain, among other things, the Plan Objection Deadline, the Voting Deadline, and the date that the Confirmation

³ "*Schedules*" are, collectively, the schedules of assets and liabilities, schedules of executory contracts and unexpired leases and statements of financial affairs filed by the Debtors pursuant to section 521 of the Bankruptcy Code and in substantial conformance with the official bankruptcy forms, as the same may have been amended, modified, or supplemented from time to time.

Hearing is first scheduled, in the *Wall Street Journal* to provide notification to those Entities that may not receive notice by mail, on a date no fewer than 15 calendar days prior to the Voting Deadline.

D. Voting and General Tabulation Procedures

1. **Who May Vote:** Only the following Holders of Claims in Voting Classes are entitled to vote:

- a. Holders of Claims for which Proofs of Claim have been timely-filed, as reflected on the claims register as of the Voting Record Date; provided, however, that certain Holders of Claims subject to a pending objection shall not be entitled to vote unless they become eligible to vote through a Resolution Event, as set forth in more detail in section D.4 herein;
- b. Holders of Claims that are listed in the Debtors' Schedules, with the exception of those Claims that are scheduled as contingent, unliquidated, or disputed (excluding such scheduled Claims that have been superseded by a timely-filed Proof of Claim);
- c. Holders whose Claims arise pursuant to an agreement or settlement with the Debtors, as reflected in a document filed with the Bankruptcy Court, in an order of the Bankruptcy Court, or in a document executed by the Debtors pursuant to authority granted by the Bankruptcy Court, in each case regardless of whether a Proof of Claim has been filed; and
- d. The assignee of any transferred or assigned Claim, only if: (i) transfer or assignment has been fully effectuated pursuant to the procedures dictated by Bankruptcy Rule 3001(e); and (ii) such transfer is reflected on the Claims Register on or before the Voting Record Date.

2. **Establishing Claim Amounts:** In tabulating votes, the following hierarchy will be used to determine the amount of the Claim associated with each vote:

- a. the amount of the Claim settled and/or agreed upon by the Debtors, as reflected in a court pleading, stipulation, agreement, or other document filed with the Bankruptcy Court, in an order of the Bankruptcy Court or in a document executed by the Debtors pursuant to authority granted by the Bankruptcy Court;
- b. the amount of the Claim Allowed (temporarily or otherwise) pursuant to a Resolution Event in accordance with the Solicitation Procedures;

- c. the amount of the Claim contained in a Proof of Claim that has been timely filed by the applicable claims bar date (or deemed timely filed by the Bankruptcy Court under applicable law) except for any amounts in such Proofs of Claim asserted on account of any interest accrued after the Petition Date; provided that Ballots cast by Holders whose Claims are not listed in the Schedules, but that timely File a Proof of Claim in an unliquidated or unknown amount that are not the subject of an objection, will count for satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code and will count as Ballots for Claims in the amount of \$1.00 solely for the purposes of satisfying the dollar amount provisions of section 1126(c) of the Bankruptcy Code; provided, further, that to the extent the amount of the Claim contained in the Proof of Claim is different from the amount of the Claim set forth in a document filed with the Bankruptcy Court as referenced in the Solicitation Procedures, the amount of the Claim in the document filed with the Bankruptcy Court will supersede the amount of the Claim set forth on the respective Proof of Claim;
- d. the amount of the Claim listed in the Schedules; provided, that such Claim is not listed in the Schedules as contingent, unliquidated, or disputed, or any combination thereof, and has not been paid; and
- e. in the absence of any of the foregoing, zero.

The amount of the Claim established herein shall control for voting purposes only and shall not constitute the Allowed amount of any Claim. Moreover, any amounts filled in on Ballots by the Debtors through the Administrative Agent are not binding for any purpose, including for purposes of voting and distribution.

3. General Ballot Tabulation: The following voting procedures and standard assumptions will be used in tabulating Ballots:

- a. except as otherwise provided herein or unless waived by the Debtors, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, the Debtors shall reject such Ballot as invalid and, therefore, decline to count it in connection with Confirmation;
- b. the Administrative Agent will date and time-stamp all Ballots when received. The Administrative Agent shall retain all original Ballots and an electronic copy of the same for a period of six years after the Effective Date of the Plan, unless otherwise ordered by the Bankruptcy Court;

- c. an original executed Ballot is required to be submitted by the Entity submitting such Ballot. Delivery of a Ballot to the Administrative Agent by facsimile, email or any other electronic means shall not be valid;
- d. the Debtors shall file the Voting Report on November 15, 2017. The Voting Report shall, among other things, delineate every irregular Ballot including, without limitation, those Ballots that are late or (in whole or in material part) illegible, unidentifiable, lacking signatures or necessary information, received via facsimile or electronic mail, or damaged. The Voting Report shall indicate the Debtors' intentions with regard to such irregular Ballots:
- e. the method of delivery of Ballots to the Administrative Agent is at the election and risk of each Holder of a Claim. Except as otherwise provided herein, such delivery will be deemed made only when the Administrative Agent actually receives the originally executed Ballot;
- f. no Ballot should be sent to any of the Debtors, the Debtors' agents (other than the Administrative Agent), or the Debtors' financial or legal advisors and if so sent will not be counted;
- g. if multiple Ballots are received from the same Holder of a Claim with respect to the same Claim prior to the Voting Deadline, the latest-dated valid Ballot received prior to the Voting Deadline will supersede and revoke any prior dated Ballot;
- h. Holders must vote all of their Claims within a particular Class either to accept or reject the Plan and may not split any such votes. Accordingly, a Ballot that partially rejects and partially accepts the Plan will not be counted. Further, if a Holder has multiple Claims within the same Class, the Debtors may, in their discretion, aggregate the Claims of any particular Holder within a Class for the purpose of counting votes;
- i. a person signing a Ballot in its capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation, or otherwise acting in a fiduciary or representative capacity must indicate such capacity when signing and, if required or requested, submit proper evidence to the requesting party of the authority to so act on behalf of the subject Holder;

- j. the Debtors, subject to contrary order of the Bankruptcy Court, may waive any defects or irregularities as to any particular Ballot at any time, either before or after the close of voting, and any such waivers shall be documented in the Voting Report;
- k. neither the Debtors, nor any other Entity, will be under any duty to provide notification of defects or irregularities with respect to delivered Ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification;
- l. unless waived by the Debtors, subject to contrary order of the Bankruptcy Court, any defects or irregularities in connection with deliveries of Ballots must be cured prior to the Voting Deadline or such Ballots will not be counted;
- m. in the event a designation for lack of good faith is requested by a party in interest under section 1126(e) of the Bankruptcy Code, the Bankruptcy Court will determine whether any vote to accept and/or reject the Plan cast with respect to that Claim will be counted for purposes of determining whether the Plan has been accepted and/or rejected by such Claim;
- n. subject to any contrary order of the Bankruptcy Court, the Debtors reserve the right to reject any and all Ballots not in proper form, the acceptance of which, in the opinion of the Debtors, would not be in accordance with the provisions of the Bankruptcy Code or the Bankruptcy Rules; provided, however, that any such rejections shall be documented in the Voting Report;
- o. if a Claim has been estimated or otherwise Allowed for voting purposes by an order of the Bankruptcy Court pursuant to Bankruptcy Rule 3018(a), such Claim shall be temporarily Allowed in the amount so estimated or Allowed by the Bankruptcy Court for voting purposes only and not for purposes of allowance or distribution;
- p. if an objection to a Claim is Filed, such Claim shall be treated in accordance with the procedures set forth herein; and
- q. the following Ballots shall not be counted in determining the acceptance or rejection of the Plan: (a) any Ballot that is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (b) any Ballot cast by a Party that does not hold a Claim in a Class that is entitled to vote on the Plan; (c) any unsigned Ballot; (d) any Ballot not marked to accept or reject the Plan or any Ballot marked both to accept and reject the

Plan; or (e) any Ballot submitted by any Entity not entitled to vote pursuant to the Solicitation Procedures.

4. Temporary Allowance of Claims for Voting Purposes: If a Holder of a Claim is subject to a pending objection as of the Voting Record Date, the Holder of such Claim cannot vote unless one or more of the following events have taken place at least five business days before the Voting Deadline (each, a “Resolution Event”):

- a. an order of the Bankruptcy Court is entered allowing such Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing;
- b. an order of the Bankruptcy Court is entered temporarily allowing such Claim for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing;
- c. a stipulation or other agreement is executed between the Holder of such Claim and the Debtors resolving the objection and allowing such Claim in an agreed upon amount;
- d. a stipulation or other agreement is executed between the Holder of such Claim and the Debtors temporarily allowing the Holder of such Claim to vote its Claim in an agreed upon amount; or
- e. the pending objection to such Claim is voluntarily withdrawn by the Debtors.

No later than two business days after a Resolution Event, the Administrative Agent shall distribute a Solicitation Package and a pre-addressed, postage pre-paid envelope to the relevant Holder of such temporarily allowed Claim that has been allowed for voting purposes only (or for other purposes as set forth in an applicable order of the Bankruptcy Court) by such Resolution Event, which must be returned according to the instructions on the Ballot by no later than the Voting Deadline.

If the Holder of a Claim receives a Solicitation Package and the Debtors object to such Claim after the Voting Record Date, but at least 15 days prior to the Confirmation Hearing, the Debtors’ notice of objection will inform such Holder of the rules applicable to Claims subject to a pending objection and the procedures for temporary allowance for voting purposes. Furthermore, if the Holder of a Claim receives a Solicitation Package and the Debtors object to such Claim less than 15 days prior to the Confirmation Hearing, the Holder’s Claim shall be deemed temporarily allowed for voting purposes only without further action by the Holder of such Claim and without further order of the Bankruptcy Court.

5. Forms of Notices to Unimpaired Classes: Certain Holders of Claims that are not entitled to vote because they are unimpaired or are otherwise deemed to accept the Plan under section 1126(f) of the Bankruptcy Code, will receive only the Confirmation Hearing Notice and the Non-Voting Status Notice–Deemed to Accept. The Non-Voting Status Notice–Deemed to Accept, substantially in the form attached to the Motion as **Exhibit D** will instruct the Holders

how they may obtain copies of the documents contained in the Solicitation Package (excluding Ballots)

6. Forms of Notices to Impaired Classes: Certain Holders of Claims or Interests that are not entitled to vote because they are Impaired, or are otherwise deemed to reject the Plan under section 1126(g) of the Bankruptcy Code, will receive only the Confirmation Hearing Notice and the Non-Voting Status Notice–Deemed to Reject. The Non-Voting Status Notice–Deemed to Reject, substantially in the form attached to the Motion as **Exhibit E** will instruct the Holders how they may obtain copies of the documents contained in the Solicitation Package (excluding Ballots).

E. Release, Exculpation and Injunction Language in the Plan

THE RELEASE, EXCULPATION, AND INJUNCTION LANGUAGE IN ARTICLE IX OF THE PLAN WILL BE INCLUDED IN THE DISCLOSURE STATEMENT AND FURTHER NOTICE IS PROVIDED WITH RESPECT TO SUCH PROVISIONS IN THE CONFIRMATION HEARING NOTICE.

F. Amendments to the Plan and the Solicitation Procedures

THE DEBTORS EXPRESSLY RESERVE THE RIGHT TO AMEND FROM TIME TO TIME THE TERMS OF THE PLAN IN ACCORDANCE WITH THE TERMS THEREOF (SUBJECT TO COMPLIANCE WITH THE REQUIREMENTS OF SECTION 1127 OF THE BANKRUPTCY CODE AND THE TERMS OF THE PLAN REGARDING MODIFICATION).

THE DEBTORS EXPRESSLY RESERVE THE RIGHT TO AMEND OR SUPPLEMENT THE SOLICITATION PROCEDURES TO BETTER FACILITATE THE SOLICITATION PROCESS.

EXHIBIT A

Disclosure Statement Hearing Notice

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

**NOTICE OF HEARING
ON THE DISCLOSURE STATEMENT FOR THE DEBTORS’ JOINT PLAN
OF REORGANIZATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
TO ALL HOLDERS OF CLAIMS AND INTERESTS AND PARTIES IN INTEREST:**

PLEASE TAKE NOTICE THAT on September 8, 2017, the above-captioned debtors and debtors-in-possession (the “Debtors”) filed: (a) the *Disclosure Statement for the Debtors’ Joint Chapter 11 Plan of Reorganization* (the “Disclosure Statement”); (b) the *Debtors’ Joint Chapter 11 Plan of Reorganization* (the “Plan”); and (c) the *Debtors’ Motion for Entry of an Order: (a) Approving the Disclosure Statement, (b) Approving Certain Dates Related to Confirmation of the Plan, (c) Approving Certain Voting Procedures and the Form of Certain Documents to be Distributed in Connection with Solicitation of the Plan, and (d) Approving Proposed Voting and General Tabulation Procedures* (the “Motion”).²

PLEASE TAKE FURTHER NOTICE THAT a hearing to consider the entry of an order finding that, among other things, the Disclosure Statement contains “adequate information” within the meaning contained in section 1125 of the Bankruptcy Code and approving the Disclosure Statement will commence on **October 12, 2017 at 9:30 a.m. prevailing Eastern Time** in the United States Bankruptcy Court for the Western District of North Carolina, located at 401 West Trade Street, Courtroom 1-4, Charlotte, NC 28202 (the “Disclosure Statement Hearing”). Please be advised that the Disclosure Statement Hearing may be continued from time to time by the Court or the Debtors without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Court and served on (a) all entities that have filed a request for service of filings in the Chapter 11 Cases pursuant to Bankruptcy Rule 2002 and (b) other parties entitled to notice.

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors’ address is 2016 Aysley Town Center Boulevard, Suite 200, Charlotte, North Carolina 28273.

² Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion, the Plan or the Disclosure Statement, as applicable.

PLEASE TAKE FURTHER NOTICE THAT if you would like to obtain a copy of the Disclosure Statement, the Plan or related documents, you should contact Rust Consulting/Omni Bankruptcy, the claims agent retained by the Debtors in these Chapter 11 Cases by: (a) (i) accessing the Administrative Agent’s website at www.omnimgt.com/PortraitInnovations; (ii) submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; or (iii) by calling 818-906-8300 within the U.S. or Canada or (b) for a fee via PACER at <https://ecf.ncwb.uscourts.gov>.

PLEASE TAKE FURTHER NOTICE THAT at the Disclosure Statement Hearing, the Debtors shall seek to establish October 9, 2017 at 5:00 p.m. prevailing Eastern Time as the Voting Record Date for determining the Holders of Claims eligible to vote on the Plan.

PLEASE TAKE FURTHER NOTICE THAT responses and objections, if any, to the approval of the Disclosure Statement, or any of the other relief sought by the Debtors in connection with the approval of the Disclosure Statement, must be made pursuant to Local Bankruptcy Rule 9013-1. Responses or objections, if any, must also be filed with the Bankruptcy Court and served by first-class mail upon each of the following parties so as to be received no later than **5:00 p.m. prevailing Eastern Time on October 6, 2017 at 5:00 p.m. prevailing Eastern Time** (the **“Objection Deadline”**):

<p>John R. Miller, Jr. Paul R. Baynard Benjamin E. Shook Rayburn Cooper & Durham, P.A. 227 West Trade Street, Suite 1200 Charlotte, NC 28202</p> <p><i>Counsel to Debtors</i></p>	<p>Charles A. Dale III Margaret R. Westbrook Aaron S. Rothman K&L Gates LLP 214 N. Tryon Street Charlotte, NC 28202</p> <p><i>Counsel to the Noteholders</i></p>
<p>Office of the U.S. Bankruptcy Administrator 402 West Trade Street, Room 200 Charlotte, NC 28202</p> <p><i>Bankruptcy Administrator for the Western District of NC</i></p>	

EXHIBIT B

Confirmation Hearing Notice

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

**NOTICE OF (A) THE SOLICITATION AND VOTING
PROCEDURES AND (B) THE OBJECTION DEADLINE AND
CONFIRMATION HEARING WITH RESPECT TO THE DEBTORS' JOINT
CHAPTER 11 PLAN OF REORGANIZATION**

TO ALL HOLDERS OF CLAIMS AND INTERESTS AND PARTIES IN INTEREST:

- 1. Bankruptcy Court Approval of the Disclosure Statement and the Solicitation Procedures.** On October __, 2017, the United States Bankruptcy Court for the Western District of North Carolina (the "Bankruptcy Court") entered an order (the "Disclosure Statement Order") that, among other things: approved the *Disclosure Statement for the Debtors' Joint Chapter 11 Plan of Reorganization* (as amended from time to time and including all exhibits and supplements thereto, the "Disclosure Statement"), as containing adequate information, as required under section 1125(a) of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), and (b) authorized above-captioned debtors and debtors in possession (collectively, the "Debtors") to solicit votes with regard to the acceptance or rejection of the *Debtors' Joint Chapter 11 Plan of Reorganization* (the "Plan").²
- 2. Voting Record Date.** The Voting Record Date for purposes of determining which Holders of Claims are entitled to vote on the Plan is **October 9, 2017 at 5:00 p.m. prevailing Eastern Time.**
- 3. Voting Deadline.** If you hold a Claim against one of the Debtors as of the Voting Record Date and are entitled to vote to accept or reject the Plan, you have received a Ballot and Voting Instructions appropriate for your Claim(s). For your vote to accept or reject the Plan to be counted, you must follow the appropriate voting instructions,

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors address is 2016 Ayrsley Town Center Boulevard, Suite 200, Charlotte North Carolina 28273.

² Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan.

complete all required information on the Ballot, and execute and return the completed Ballot so that it is actually received in accordance with the voting instructions set forth in the Ballot at the address indicated on the Ballot by **5:00 p.m. prevailing Eastern Time on November 10, 2017** (the “Voting Deadline”). Any failure to follow the voting instructions included with the Ballot may disqualify your Ballot and your vote on the Plan.

4. **Objections to the Plan.** The Bankruptcy Court has established **November 10, 2017 at 5:00 p.m. prevailing Eastern Time**, as the last date and time for filing and serving objections to the Confirmation of the Plan (the “Plan Objection Deadline”). Any objection to the Plan must (a) be in writing, (b) conform to the Bankruptcy Rules and the Local Rules, (c) state the name and address of the objecting party and the amount and nature of the Claim or Interest of such Entity, (d) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection, and (e) be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is actually received no later than the Plan Objection Deadline, by:

John R. Miller, Jr. Paul R. Baynard Benjamin E. Shook Rayburn Cooper & Durham, P.A. 227 West Trade Street, Suite 1200 Charlotte, NC 28202 <i>Counsel to Debtors</i>	Charles A. Dale III Margaret R. Westbrook Aaron S. Rothman K&L Gates LLP 214 N. Tryon Street Charlotte, NC 28202 <i>Counsel to the Noteholders</i>
Office of the U.S. Bankruptcy Administrator 402 West Trade Street, Room 200 Charlotte, NC 28202 <i>Bankruptcy Administrator for the Western District of NC</i>	

5. **Confirmation Hearing.** A hearing to confirm the Plan (the “Confirmation Hearing”) will commence on **November 17, 2017 at 9:30 a.m. prevailing Eastern Time** at the United States Bankruptcy Court for the Western District of North Carolina, located at 401 West Trade Street, Courtroom 1-4, Charlotte, NC 28202 Please be advised that the Confirmation Hearing may be continued from time to time by the Court or the Debtors without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Court and served on parties entitled to notice under Bankruptcy Rule 2002 and the local rules of the Bankruptcy Court or otherwise (the “Service List”). In accordance with the Plan, the Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing further action by the Debtors

and without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

6. **Inquiries.** The Debtors shall serve paper or electronic copies of the Disclosure Statement Order, the Disclosure Statement and all exhibits to the Disclosure Statement, including the Plan, on the Service List and all Entities entitled to vote to accept or reject the Plan. Holders of Claims who are entitled to vote to accept or reject the Plan shall receive a Solicitation Package, containing paper or electronic copies of this Notice, applicable Ballot(s) and the Solicitation Procedures. The Solicitation Package may be obtained from the Administrative Agent retained by the Debtors in these Chapter 11 Cases by: **(a) (i) accessing the Administrative Agent's website at www.omningt.com/PortraitInnovations; (ii) submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; or (iii) by calling 818-906-8300 within the U.S. or Canada or (b) for a fee via PACER at <https://ecf.ncwb.uscourts.gov>.** For Holders of Claims and Interests, the Administrative Agent will answer questions regarding the procedures and requirements for voting to accept or reject the Plan and for objecting to the Plan, provide additional copies of all materials, and oversee the voting tabulation.

7. **Temporary Allowance of Claims for Voting Purposes.** Holders of Claims that are subject to a pending objection by the Debtors as of the Voting Record Date cannot vote on the Plan; provided, that if the Debtors object to only a portion of a Claim, such Claim may be voted in the undisputed amount. Moreover, a Holder of a Claim cannot vote any disputed portion of its Claim unless one or more of the following has taken place at least five business days before the Voting Deadline (each, a "Resolution Event"):

- a. an order of the Bankruptcy Court is entered allowing such Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing;
 - b. an order of the Bankruptcy Court is entered temporarily allowing such Claim for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing;
 - c. a stipulation or other agreement is executed between the Holder of such Claim and the Debtors resolving the objection and allowing such Claim in an agreed upon amount;
 - d. a stipulation or other agreement is executed between the Holder of such Claim and the Debtors temporarily allowing the Holder of such Claim to vote its Claim in an agreed upon amount; or
 - e. the pending objection to such Claim is voluntarily withdrawn.
8. No later than two business days after a Resolution Event, the Administrative Agent shall distribute a Solicitation Package and a pre-addressed, postage pre-paid envelope to the relevant Holder of such temporarily Allowed Claim that has been Allowed for voting purposes only (or for other purposes as set forth in an applicable order of the Bankruptcy

Court) by such Resolution Event, which must be returned according to the instructions on the Ballot by no later than the Voting Deadline.

9. If the Holder of a Claim receives a Solicitation Package and the Debtors object to such Claim after the Voting Record Date, but at least 15 days prior to the Confirmation Hearing, the Debtors' notice of objection will inform such Holder of the rules applicable to Claims and Interests subject to a pending objection and the procedures for temporary allowance for voting purposes. Furthermore, if the Holder of a Claim receives a Solicitation Package and the Debtors object to such Claim less than 15 days prior to the Confirmation Hearing, the Holder's Claim shall be deemed temporarily allowed for voting purposes only without further action by the Holder of such Claim and without further order of the Bankruptcy Court.
10. **Release, Exculpation, and Injunction Language in the Plan.** Please be advised that Article IX of the Plan contains the following release, exculpation, and injunction provisions:

Discharge of Claims

Except as otherwise provided for herein and effective as of the Effective Date: (a) the rights afforded in the Plan and the treatment of all Claims and Interests shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtors or any of their assets, property or Estates; (b) the Plan shall bind all holders of Claims and Interests, notwithstanding whether any such holders failed to vote to accept or reject the Plan or voted to reject the Plan; (c) all Claims and Interests shall be satisfied, discharged, and released in full, and the Debtors' liability with respect thereto shall be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (d) all Entities shall be precluded from asserting against the Debtors, the Debtors' Estates, the Reorganized Company, their successors and assigns and their assets and properties any other Claims or Interests based upon any documents, instruments, or any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

Consensual Third-Party Releases

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, all Voting Creditors who vote to accept the Plan shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever, released and discharged the Released Parties from any and all Claims, Interests, obligations, rights, liabilities, actions, causes of action, choses in action, suits, debts, damages, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, remedies, rights of set-off, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims, and crossclaims (including all claims and actions against any Entities under the Bankruptcy Code) whatsoever, whether for tort, contract, violations of federal or state securities laws, Avoidance Actions, including (solely to the extent

permissible under applicable law) any derivative Claims asserted or that could be asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the Restructuring Transaction, or the Support Agreement; the formulation, preparation, solicitation, dissemination, negotiation, or filing of the Disclosure Statement or Plan or any contract, instrument, release, or other agreement or document created or entered into in connection with or pursuant to the Support Agreement, the Disclosure Statement, or the Plan; the filing and prosecution of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of Consummation, the purchase, sale, or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Company, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, prepetition contracts and agreements with one or more Debtors, or any other act or omission, transaction, agreement, event, or other occurrence taking place before the Effective Date; provided, that to the extent that a Claim or Cause of Action is determined by a Final Order to have constituted actual fraud, gross negligence, or willful misconduct, such Claim or Cause of Action shall not be so released. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any obligations arising on or after the Effective Date of any party under the Plan, or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the release set forth in this Section 9.3, which includes by reference each of the related provisions and definitions contained herein, and further, shall constitute the Bankruptcy Court's finding that such release is: (a) in exchange for the good and valuable consideration provided by the Released Parties; (b) a good faith settlement and compromise of the Claims released by this Section 9.3; (c) in the best interests of the Debtors and all holders of Claims and Interests; (d) fair, equitable, and reasonable; (e) given and made after due notice and opportunity for hearing; and (f) a bar to any Entity granting a release under this Section 9.3 from asserting any Claim or Cause of Action released by this Section 9.3.

Notwithstanding the foregoing, nothing in this Section 9.3 shall operate to release the rights of the Noteholders and the DIP Lenders under the Support Agreement, DIP Documents, or the Plan.

Exculpation

Effective as of the Effective Date, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from, any Exculpated Claim or any obligation, Cause of Action, or liability for any Exculpated Claim, except for actual fraud, willful misconduct, or gross negligence, and in all respects, the Exculpated Parties shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. The Exculpated Parties have, and upon Confirmation shall be deemed to have, participated in good faith and in compliance with the applicable

provisions of the Bankruptcy Code with regard to the solicitation of acceptances and rejections of the Plan and the making of Distributions pursuant to the Plan and, therefore, are not and shall not be liable at any time for the violation of any applicable, law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such Distributions made pursuant to the Plan.

Injunction

Except as otherwise provided herein or in the Confirmation Order, from and after the Effective Date, all Entities are, to the fullest extent provided under section 524 and other applicable provisions of the Bankruptcy Code, permanently enjoined from taking any of the following actions against, as applicable, the Debtors, the Reorganized Company, the Released Parties, or the Exculpated Parties (collectively, the “*Section 9.5 Parties*”): (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any Claims or Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against the Section 9.5 Parties or their respective property and assets on account of or in connection with or with respect to any such Claims or Interests; (c) creating, perfecting, or enforcing any encumbrance of any kind against the Section 9.5 Parties or their respective property and assets on account of or in connection with or with respect to any such Claims or Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind against any obligation due from the Section 9.5 Parties or their respective property and assets on account of or in connection with or with respect to any such Claims or Interests unless such holder has filed a motion requesting the right to perform such setoff on or before the Confirmation Date; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Interests released, exculpated or settled pursuant to the Plan.

Release of Liens

Except as otherwise provided herein or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall be fully released and discharged, and all of the right, title and interest of any holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Reorganized Company or the Disbursing Agent, as applicable.

YOU ARE ADVISED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION, AND INJUNCTION PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

EXHIBIT C

BALLOTS

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

**BALLOT FOR ACCEPTING OR REJECTING
THE DEBTORS’ JOINT CHAPTER 11 PLAN OF REORGANIZATION**

CLASS 4 — GENERAL UNSECURED CLAIMS

**PLEASE READ AND FOLLOW THE ENCLOSED INSTRUCTIONS FOR
COMPLETING BALLOTS CAREFULLY BEFORE COMPLETING THE BALLOT**

**THIS BALLOT MUST BE ACTUALLY RECEIVED BY THE CLAIMS AND
SOLICITATION AGENT BY 5:00 P.M. PREVAILING EASTERN TIME
NOVEMBER 10, 2017 (THE “VOTING DEADLINE”)**

THE DEBTORS HAVE SENT THIS BALLOT TO YOU BECAUSE OUR RECORDS INDICATE THAT YOU ARE A HOLDER OF A CLASS 4 GENERAL UNSECURED CLAIM, AND ACCORDINGLY, YOU HAVE A RIGHT TO VOTE TO ACCEPT OR REJECT THE *DEBTORS’ JOINT CHAPTER 11 PLAN OF REORGANIZATION* (THE “PLAN”). CAPITALIZED TERMS USED BUT NOT OTHERWISE DEFINED HEREIN SHALL HAVE THE MEANINGS SET FORTH IN THE PLAN OR THE *ORDER (A) APPROVING THE DISCLOSURE STATEMENT, (B) APPROVING CERTAIN DATES RELATED TO CONFIRMATION OF THE PLAN, (C) APPROVING CERTAIN VOTING PROCEDURES AND THE FORM OF CERTAIN DOCUMENTS TO BE DISTRIBUTED IN CONNECTION WITH THE SOLICITATION OF THE PLAN, AND (D) APPROVING PROPOSED VOTING AND GENERAL TABULATION PROCEDURES* (THE “DISCLOSURE STATEMENT ORDER”).

Your rights are described in the *Disclosure Statement for the Debtors’ Joint Chapter 11 Plan of Reorganization* and all exhibits related thereto (the “Disclosure Statement”). The Disclosure Statement, the Plan, the Disclosure Statement Order and certain other materials contained in the Solicitation Package are included in the packet you are receiving with this Ballot. Additionally, the Solicitation Package can be obtained by contacting the Administrative Agent² retained by the

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors’ address is 2016 Ayrley Town Center Boulevard, Suite 200, Charlotte, North Carolina 28273.

² The Debtors’ “Administrative Agent” is Rust Consulting/Omni Bankruptcy.

Debtors in these Chapter 11 Cases, by: (a) (i) accessing the Administrative Agent's website at www.omnimgt.com/PortraitInnovations; (ii) submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; or (iii) by calling 818-906-8300 within the U.S. or Canada or (b) for a fee via PACER at <https://ecf.ncwb.uscourts.gov>.

The Bankruptcy Court has approved the Disclosure Statement as containing adequate information, as required under section 1125 of the Bankruptcy Code. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. This Ballot may not be used for any purpose other than to vote to accept or reject the Plan. If you believe you have received this Ballot in error, please contact the Administrative Agent at the address or telephone number set forth above.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the Plan's classification and treatment of your Claim. Your Claim has been placed in Class 4 General Unsecured Claims under the Plan. If you hold Claims in more than one Class, you will receive a Ballot for each Class in which you are entitled to vote.

If the Administrative Agent does not receive your Ballot on or before the Voting Deadline, which is 5:00 p.m. prevailing Eastern Time on November 10, 2017, and if the Voting Deadline is not extended, your vote as either an acceptance or rejection of the Plan will not count.

If the Bankruptcy Court confirms the Plan, it will bind you regardless of whether you vote.

Item 1. Notice of Third-Party Releases.

PLEASE TAKE NOTICE THAT, BY VOTING TO ACCEPT THE PLAN, YOU ARE AGREEING TO GRANT THE RELEASES OF CLAIMS AGAINST CERTAIN NON-DEBTOR THIRD PARTIES (DEFINED AS THE RELEASED PARTIES IN THE PLAN) AS SET FORTH IN SECTION 9.3 OF THE PLAN. THE CONFIRMATION HEARING NOTICE YOU RECEIVED WITH THIS BALLOT INCLUDES THE NON-DEBTOR THIRD PARTY RELEASE PROVISIONS UNDER THE HEADING "CONSENSUAL THIRD-PARTY RELEASES."

Item 2. Principal Amount of Class 4 General Unsecured Claims.

The undersigned hereby certifies that as of the Voting Record Date, October 9, 2017 at 5:00 p.m. prevailing Eastern Time, the undersigned was the Holder of Class 4 Claims against the Debtors in the following amount (insert amount in box below):

\$ _____

Item 3. Class 4 General Unsecured Claims Vote on the Plan.

The Holder of the Class 4 General Unsecured Claims set forth in Item 1 votes to (please check one):

ACCEPT THE PLAN

REJECT THE PLAN

ANY BALLOT THAT IS EXECUTED BY THE HOLDER OF A CLAIM OR INTEREST BUT THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN OR DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED.

Item 4. Certifications

By signing this Ballot, the undersigned certifies to the Bankruptcy Court and the Debtors:

- a. that either: (i) the Entity is the Holder of the Class 4 Claims being voted; or (ii) the Entity is an authorized signatory for an Entity that is a Holder of the Class 4 Claims being voted;
- b. that the Entity has received a copy of the Disclosure Statement and the Solicitation Package and acknowledges that the solicitation is being made pursuant to the terms and conditions set forth therein;
- c. that the Entity has cast the same vote with respect to all Class 4 Claims; and
- d. that no other Ballots with respect to the amount of the Class 4 Claims identified in Item 1 have been cast or, if any other Ballots have been cast with respect to such Claims, then any such Ballots dated earlier are hereby revoked.

Name of Holder: _____

(Print or Type)

Social Security or Federal Tax Identification Number: _____

Signature: _____

Name of Signatory: _____

(If other than Holder)

Title: _____

Address: _____

Date Completed: _____

PLEASE COMPLETE, SIGN, AND DATE THE BALLOT AND RETURN IT PROMPTLY IN THE RETURN ENVELOPE PROVIDED. THE BALLOT MAY ALSO BE SENT AS FOLLOWS:

<p>By First Class Mail To:</p> <p>Portrait Innovations, Inc.</p> <p>C/O Rust Omni</p> <p>5955 DeSoto Avenue, Suite 100</p> <p>Woodland Hills, CA 91367</p>	<p>By Overnight Courier or Hand-Delivery To:</p> <p>Portrait Innovations, Inc.</p> <p>C/O Rust Omni</p> <p>5955 DeSoto Avenue, Suite 100</p> <p>Woodland Hills, CA 91367</p>
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YOUR BALLOT MUST BE RECEIVED BY THE VOTING DEADLINE, WHICH IS 5:00 P.M. PREVAILING EASTERN TIME ON NOVEMBER 10, 2017.

INSTRUCTIONS FOR COMPLETING BALLOTS

1. The Debtors are soliciting the votes of Holders of Claims with respect to the Plan attached as Exhibit A to the Disclosure Statement. Capitalized terms used in the Ballot or in these instructions but not otherwise defined in the ballot or these instructions shall have the meanings set forth in the Plan or the Disclosure Statement Order, copies of which also accompany the Ballot.
2. The Bankruptcy Court may confirm the Plan and thereby bind you by the terms of the Plan if, among other things, the Plan is confirmed. Please review the Disclosure Statement for more information.
3. To ensure that your vote is counted, you must: (a) complete the Ballot; (b) indicate your decision either to accept or reject the Plan in the boxes provided in Item 2 of the Ballot; and (c) sign and return the Ballot to the address set forth on the enclosed pre-addressed envelope. The Voting Deadline for the receipt of Ballots by the Administrative Agent is 5:00 p.m. prevailing Eastern Time on November 10, 2017. Your completed Ballot must be received by the Administrative Agent on or before the Voting Deadline.
4. You must vote all of your Claims within a particular Class either to accept or reject the Plan and may not split your vote. Accordingly, a Ballot that partially rejects and partially accepts the Plan will not be counted. Further, if a Holder has multiple Claims within the same Class, the Debtors may, in their discretion, aggregate the Claims of any particular Holder within a Class for the purpose of counting votes.
5. If a Ballot is received after the Voting Deadline, it will not be counted unless the Debtors determine otherwise. The method of delivery of Ballots to the Administrative Agent is at the election and risk of each Holder of a Claim. Except as otherwise provided herein, such delivery will be deemed made only when the Administrative Agent actually receives the originally executed Ballot. Instead of effecting delivery by mail, it is recommended, though not required, that Holders use an overnight or hand delivery service. In all cases, Holders should allow sufficient time to assure timely delivery. Delivery of a Ballot to the Administrative Agent by facsimile, e-mail or any other electronic means shall not be valid. No Ballot should be sent to any of the Debtors, the Debtors' agents (other than the Administrative Agent), or the Debtors' financial or legal advisors and if so sent will not be counted.
6. If multiple Ballots are received from the same Holder of a Claim with respect to the same Claim prior to the Voting Deadline, the last dated valid Ballot timely received will supersede and revoke any earlier dated Ballots.
7. The Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan. Accordingly, at this time, Holders of Claims should not surrender certificates or instruments representing or evidencing their Claims, and neither the Debtors nor the Administrative Agent will accept delivery of any such certificates or instruments surrendered together with a Ballot.

8. This Ballot does not constitute, and shall not be deemed to be: (a) a Proof of Claim; or (b) an assertion or admission of a Claim.
9. Please be sure to sign and date your Ballot. If you are signing a Ballot in your capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation, or otherwise acting in a fiduciary or representative capacity, you should indicate such capacity when signing and, if requested by the Administrative Agent, the Debtors, or the Bankruptcy Court, must submit proper evidence to the requesting party to so act on behalf of such Holder. In addition, please provide your name and mailing address if it is different from that set forth on the attached mailing label or if no such mailing label is attached to the Ballot.
10. If you hold Claims in more than one Class under the Plan or in multiple accounts, you may receive more than one Ballot coded for each different Class or account. Each Ballot votes only your Claims indicated on that Ballot. Please complete and return each Ballot you received.
11. The following Ballots shall not be counted in determining the acceptance or rejection of the Plan: (a) any Ballot that is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (b) any Ballot cast by a Party that does not hold a Claim in a Class that is entitled to vote on the Plan; (c) any unsigned Ballot; (d) any Ballot not marked to accept or reject the Plan or any Ballot marked both to accept and reject the Plan; and (e) any Ballot submitted by any Entity not entitled to vote pursuant to the Solicitation Procedures.
12. If you believe you have received the wrong Ballot, you should contact the Administrative Agent immediately at (818) 906-8300 within the U.S. or Canada.

PLEASE MAIL YOUR BALLOT PROMPTLY!

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE ADMINISTRATIVE AGENT AT (818) 906-8300 WITHIN THE U.S. OR CANADA.

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

**BALLOT FOR ACCEPTING OR REJECTING
THE DEBTORS’ JOINT CHAPTER 11 PLAN OF REORGANIZATION**

CLASS 3 — NOTEHOLDER CLAIMS

**PLEASE READ AND FOLLOW THE ENCLOSED INSTRUCTIONS FOR
COMPLETING BALLOTS CAREFULLY BEFORE COMPLETING THE BALLOT**

**ONLY THE DEBTORS, IN THEIR SOLE AND ABSOLUTE DISCRETION, MAY
EXTEND OR WAIVE THE PERIOD DURING WHICH BALLOTS WILL BE
ACCEPTED BY THE DEBTORS.**

The Debtors have sent this Ballot to you because you are a Holder of a Class 3 Noteholder Claim, and accordingly, you have a right to vote to accept or reject the *Debtors’ Joint Chapter 11 Plan of Reorganization* (the “Plan”). Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan or the *Order (A) Approving the Disclosure Statement, (B) Approving Certain Dates Related to Confirmation of the Plan, (C) Approving Certain Voting Procedures and the Form of Certain Documents to be Distributed in Connection with the Solicitation of the Plan, and (D) Approving Proposed Voting and General Tabulation Procedures* (the “Disclosure Statement Order”).

Your rights are described in the *Disclosure Statement for the Debtors’ Joint Chapter 11 Plan of Reorganization* and all exhibits related thereto (the “Disclosure Statement”). The Disclosure Statement, the Plan, the Disclosure Statement Order, and certain other materials contained in the Solicitation Package are included in the packet you are receiving with this Ballot. Additionally, the Solicitation Package can be obtained by contacting Rust Consulting/Omni Bankruptcy, the claims agent retained by the Debtors in these Chapter 11 Cases (the “Administrative Agent”), by:
(a) (i) accessing the Administrative Agent’s website at

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors’ address is 2016 Ayrlesley Town Center Boulevard, Suite 200, Charlotte, North Carolina 28273.

www.omnimgt.com/PortraitInnovations; (ii) submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; or (iii) by calling 818-906-8300 within the U.S. or Canada or (b) for a fee via PACER at <https://ecf.ncwb.uscourts.gov>.

The Bankruptcy Court has approved the Disclosure Statement as containing adequate information, as required under section 1125 of the Bankruptcy Code. Bankruptcy Court approval of the Disclosure Statement does not indicate approval of the Plan by the Bankruptcy Court. This Ballot may not be used for any purpose other than to vote to accept or reject the Plan. If you believe you have received this Ballot in error, please contact the Administrative Agent at the address or telephone number set forth above.

This Ballot may not be used for any purpose other than for casting votes to accept or reject the Plan and making certain designations and certifications with respect thereto.

You should review the Disclosure Statement and the Plan before you vote. You may wish to seek legal advice concerning the Plan and the Plan's classification and treatment of your Claim. Your Claim has been placed in Class 3 Noteholder Claims under the Plan. If you hold Claims in more than one Class, you will receive a Ballot for each Class in which you are entitled to vote.

If the Administrative Agent does not receive your vote on or before the Voting Deadline, which is 5:00 p.m. prevailing Eastern Time on November 10, 2017 and if the Voting Deadline is not extended, your vote as either an acceptance or rejection of the Plan will not count.

If the Bankruptcy Court confirms the Plan, it will bind you regardless of whether you vote.

Item 1. Notice of Third-Party Releases.

PLEASE TAKE NOTICE THAT, BY VOTING TO ACCEPT THE PLAN, YOU ARE AGREEING TO GRANT THE RELEASES OF CLAIMS AGAINST CERTAIN NON-DEBTOR THIRD PARTIES (DEFINED AS THE RELEASED PARTIES IN THE PLAN) AS SET FORTH IN SECTION 9.3 OF THE PLAN. THE CONFIRMATION HEARING NOTICE YOU RECEIVED WITH THIS BALLOT INCLUDES THE NON-DEBTOR THIRD PARTY RELEASE PROVISIONS UNDER THE HEADING "CONSENSUAL THIRD-PARTY RELEASES."

Item 2. Principal Amount of Class 3 Noteholder Claims.

The undersigned hereby certifies that as of the Voting Record Date, October 9, 2017 at 5:00 p.m. prevailing Eastern Time, the undersigned was the Holder (or authorized signatory for a Holder) of Class 3 Claims against the Debtors in the following amount (insert amount in box below). If you do not know the amount of the Class 3 Claims held, please contact your Nominee immediately:

\$ _____

Item 3. Class 3 Noteholder Claims Vote on the Plan.

The Holder of the Class 3 Noteholder Claims set forth in Item 1 votes to (please check one):

- ACCEPT THE PLAN REJECT THE PLAN

ANY BALLOT THAT IS EXECUTED BY THE HOLDER OF A CLAIM OR INTEREST BUT THAT INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN OR DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED.

Item 4. Certifications

By signing this Ballot, the undersigned certifies to the Bankruptcy Court and the Debtors:

- a. that either: (i) the Entity is the Holder of the Class 3 Claims being voted; or (ii) the Entity is an authorized signatory for an Entity that is a Holder of the Class 3 Claims being voted;
- b. that the Entity has received a copy of the Disclosure Statement and the Solicitation Package and acknowledges that the solicitation is being made pursuant to the terms and conditions set forth therein;
- c. that the Entity has cast the same vote with respect to all Class 3 Claims; and
- d. that no other Ballots with respect to the amount of the Class 3 Claims identified in Item 1 have been cast or, if any other Ballots have been cast with respect to such Claims, then any such Ballots dated earlier are hereby revoked.

Name of Holder: _____

(Print or Type)

Social Security or Federal Tax Identification Number: _____

Signature: _____

Name of Signatory: _____

(If other than Holder)

Title: _____

Address: _____

Date Completed: _____

PLEASE COMPLETE, SIGN, AND DATE THE BALLOT AND RETURN IT PROMPTLY TO THE ADMINISTRATIVE AGENT BEFORE THE VOTING DEADLINE, WHICH IS 5:00 P.M. PREVAILING EASTERN TIME ON NOVEMBER 10, 2017.

INSTRUCTIONS FOR COMPLETING BALLOTS

1. The Debtors are soliciting the votes of Holders of Claims with respect to the Plan attached as Exhibit A to the Disclosure Statement. Capitalized terms used in the Ballot or in these instructions but not otherwise defined in the ballot or these instructions shall have the meanings set forth in the Plan or the Disclosure Statement Order, copies of which also accompany the Ballot.
2. The Bankruptcy Court may confirm the Plan and thereby bind you by the terms of the Plan if, among other things, the Plan is confirmed. Please review the Disclosure Statement for more information.
3. To ensure that your vote is counted, you must: (a) complete the Ballot; (b) indicate your decision either to accept or reject the Plan in the boxes provided in Item 2 of the Ballot; and (c) sign and return the Ballot to the Claims and Solicitation Agent so that it is received by the Voting Deadline.
4. You must vote all of your Claims within a particular Class either to accept or reject the Plan and may not split your vote. Accordingly, a Ballot that partially rejects and partially accepts the Plan will not be counted. Further, if a Holder has multiple Claims within the same Class, the Debtors may, in their discretion, aggregate the Claims of any particular Holder within a Class for the purpose of counting votes.
5. If Ballot is received after the Voting Deadline, it will not be counted unless the Debtors determine otherwise. Delivery of a Ballot to the Administrative Agent by facsimile, e-mail or any other electronic means shall not be valid. No Ballot should be sent to any of the Debtors, the Debtors' agents (other than the Administrative Agent), or the Debtors' financial or legal advisors and if so sent will not be counted.
6. If multiple Ballots are received from the same Holder of a Claim with respect to the same Claim prior to the Voting Deadline, the last dated valid Ballot timely received will supersede and revoke any earlier dated Ballots.
7. The Ballot is not a letter of transmittal and may not be used for any purpose other than to vote to accept or reject the Plan. Accordingly, at this time, Holders of Claims should not surrender certificates or instruments representing or evidencing their Claims, and neither the Debtors nor the Administrative Agent will accept delivery of any such certificates or instruments surrendered together with a Ballot.
8. This Ballot does not constitute, and shall not be deemed to be: (a) a Proof of Claim; or (b) an assertion or admission of a Claim.
9. Please be sure to sign and date your Ballot. If you are signing a Ballot in your capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation, or otherwise acting in a fiduciary or representative capacity, you should indicate such capacity when signing and, if requested by the Administrative Agent, the Debtors, or the

Bankruptcy Court, must submit proper evidence to the requesting party to so act on behalf of such Holder.

10. If you hold Claims in more than one Class under the Plan or in multiple accounts, you may receive more than one Ballot coded for each different Class or account. Each Ballot votes only your Claims indicated on that Ballot. Please complete and return each Ballot you received.
11. The following Ballots shall not be counted in determining the acceptance or rejection of the Plan: (a) any Ballot that is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (b) any Ballot cast by a Party that does not hold a Claim in a Class that is entitled to vote on the Plan; (c) any unsigned Ballot; (d) any Ballot not marked to accept or reject the Plan or any Ballot marked both to accept and reject the Plan; and (e) any Ballot submitted by any Entity not entitled to vote pursuant to the Solicitation Procedures.
12. If you believe you have received the wrong Ballot, you should contact the Administrative Agent immediately at (818) 906-8300 within the U.S. or Canada.

PLEASE MAIL YOUR BALLOT PROMPTLY!

IF YOU HAVE ANY QUESTIONS REGARDING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CONTACT THE ADMINISTRATIVE AGENT AT (818) 906-8300 WITHIN THE U.S. OR CANADA.

EXHIBIT D

Non-Voting Status Notice - Deemed to Accept

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

**NON-VOTING STATUS NOTICE
WITH RESPECT TO UNIMPAIRED CLASSES DEEMED
TO ACCEPT THE DEBTORS' JOINT CHAPTER 11 PLAN OF REORGANIZATION**

PLEASE TAKE NOTICE THAT on October __, 2017, the United States Bankruptcy Court for the Western District of North Carolina (the "Bankruptcy Court") entered an order (the "Disclosure Statement Order") that, among other things, approved the *Disclosure Statement for the Debtors' Joint Chapter 11 Plan of Reorganization* (as amended from time to time and including all exhibits and supplements thereto, the "Disclosure Statement"), as containing adequate information, as required under section 1125(a) of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code"), and (b) authorized the above-captioned debtors and debtors in possession (collectively, the "Debtors") to solicit votes with regard to the acceptance or rejection of the *Debtors' Joint Chapter 11 Plan of Reorganization* (the "Plan").²

PLEASE TAKE FURTHER NOTICE THAT the Debtors' Disclosure Statement, Disclosure Statement Order, Plan, and other documents and materials included in the Solicitation Package may be obtained by contacting Rust Consulting/Omni Bankruptcy, the claims agent retained by the Debtors in these Chapter 11 Cases (the "Administrative Agent"), by: (a) (i) **accessing the Administrative Agent's website at www.omnimgt.com/PortraitInnovations; (ii) submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; or (iii) by calling 818-906-8300 within the U.S. or Canada or (b) for a fee via PACER at <https://ecf.ncwb.uscourts.gov>.**

PLEASE TAKE FURTHER NOTICE THAT you are receiving this notice because, under the terms of Articles II and/or III of the Plan your Claim(s) against the Debtors are Unimpaired and, therefore, pursuant to section 1126(f) of the Bankruptcy Code, you are deemed to have accepted the Plan and are, therefore, not entitled to vote on the Plan. Accordingly, this notice and the *Notice of (A) the Solicitation and Voting Procedures and (B) the Objection*

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors' address is 2016 Ayrley Town Center Boulevard, Suite 200, Charlotte, North Carolina 28273.

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

Deadline and Confirmation Hearing with Respect to the Debtors' Joint Chapter 11 Plan are being sent to you for informational purposes only.

PLEASE TAKE FURTHER NOTICE THAT if you have any questions about the status of any of your Claim(s) or Interest(s), you should contact the Debtors' Administrative Agent in accordance with the instructions provided above.

EXHIBIT E

Non-Voting Status Notice - Deemed to Reject

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

**NON-VOTING STATUS NOTICE
WITH RESPECT TO IMPAIRED CLASSES DEEMED
TO REJECT THE DEBTORS' JOINT CHAPTER 11 PLAN OF REORGANIZATION**

PLEASE TAKE NOTICE THAT on October __, 2017, the United States Bankruptcy Court for the Western District of North Carolina (the “Bankruptcy Court”) entered an order (the “Disclosure Statement Order”) that, among other things, approved the *Disclosure Statement for the Debtors’ Joint Chapter 11 Plan of Reorganization* (as amended from time to time and including all exhibits and supplements thereto, the “Disclosure Statement”), as containing adequate information, as required under section 1125(a) of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), and (b) authorized the above-captioned debtors and debtors in possession (collectively, the “Debtors”) to solicit votes with regard to the acceptance or rejection of the *Debtors’ Joint Chapter 11 Plan of Reorganization* (the “Plan”).²

PLEASE TAKE FURTHER NOTICE THAT the Debtors’ Disclosure Statement, Disclosure Statement Order, Plan, and other documents and materials included in the Solicitation Package may be obtained by contacting Rust Consulting/Omni Bankruptcy, the claims agent retained by the Debtors in these Chapter 11 Cases (the “Administrative Agent”), by: **(a) (i) accessing the Administrative Agent’s website at www.omnimgt.com/PortraitInnovations; (ii) submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; or (iii) by calling 818-906-8300 within the U.S. or Canada or (b) for a fee via PACER at <https://ecf.ncwb.uscourts.gov>.**

PLEASE TAKE FURTHER NOTICE THAT you are receiving this notice because, under the terms of Article III of the Plan your Claim(s) against the Debtors are Impaired and, pursuant to section 1126(g) of the Bankruptcy Code, you are conclusively presumed to have rejected the Plan and are, therefore, not entitled to vote on the Plan. Accordingly, this notice and the *Notice of (A) the Solicitation and Voting Procedures and (B) the Objection Deadline and*

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors’ address is 2016 Aysley Town Center Boulevard, Suite 200, Charlotte, North Carolina 28273.

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

Confirmation Hearing with Respect to the Debtors' Joint Chapter 11 Plan are being sent to you for informational purposes only.

EXHIBIT F

Non-Voting Status Notice - Disputed

UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division

In re:) Chapter 11
)
PORTRAIT INNOVATIONS, INC., et al.) Case No. 17-31455
)
Debtors.¹) (Jointly Administered)
_____)

NON-VOTING STATUS NOTICE WITH RESPECT TO DISPUTED CLAIMS

PLEASE TAKE NOTICE THAT on October __, 2017, the United States Bankruptcy Court for the Western District of North Carolina (the “Bankruptcy Court”) entered an order (the “Disclosure Statement Order”) that, among other things, approved the *Disclosure Statement for the Debtors’ Joint Chapter 11 Plan of Reorganization* (as amended from time to time and including all exhibits and supplements thereto, the “Disclosure Statement”), as containing adequate information, as required under section 1125(a) of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), and (b) authorized the above-captioned debtors and debtors in possession (collectively, the “Debtors”) to solicit votes with regard to the acceptance or rejection of the *Debtors’ Joint Chapter 11 Plan of Reorganization* (the “Plan”).²

PLEASE TAKE FURTHER NOTICE THAT the Debtors’ Disclosure Statement, Disclosure Statement Order, Plan, and other documents and materials included in the Solicitation Package may be obtained by contacting Rust Consulting/Omni Bankruptcy, the claims agent retained by the Debtors in these Chapter 11 Cases (the “Administrative Agent”), by: (a) (i) **accessing the Administrative Agent’s website at www.omnimgt.com/PortraitInnovations; (ii) submitting a request in writing to Portrait Innovations, Inc., C/O Rust Omni, 5955 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367; or (iii) by calling 818-906-8300 within the U.S. or Canada or (b) for a fee via PACER at <https://ecf.ncwb.uscourts.gov>.**

PLEASE TAKE FURTHER NOTICE THAT you are receiving this notice because as, you are the Holder of a Claim that is subject to a pending objection by the Debtors. You are not entitled to vote on the Debtors’ Plan unless at least five days before the Voting Deadline (each, a “Resolution Event”):

¹ The Debtors in these jointly administered cases are the following entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Portrait Innovations, Inc. (9394) and Portrait Innovations Holding Company (5553). The Debtors’ address is 2016 Ayrslay Town Center Boulevard, Suite 200, Charlotte, North Carolina 28273.

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

- a. an order of the Bankruptcy Court is entered allowing such Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing;
- b. an order of the Bankruptcy Court is entered temporarily allowing such Claim for voting purposes only pursuant to Bankruptcy Rule 3018(a), after notice and a hearing;
- c. a stipulation or other agreement is executed between the Holder of such Claim and the Debtors resolving the objection and allowing such Claim in an agreed upon amount;
- d. a stipulation or other agreement is executed between the Holder of such Claim and the Debtors temporarily allowing the Holder of such Claim to vote its Claim in an agreed upon amount; or
- e. the pending objection to such Claim is voluntarily withdrawn.

Accordingly, this notice and the *Notice of (A) the Solicitation and Voting Procedures and (B) the Objection Deadline and Confirmation Hearing with Respect to the Debtors' Joint Chapter 11 Plan* are being sent to you for informational purposes only.

PLEASE TAKE FURTHER NOTICE THAT if a Resolution Event occurs, then no later than two business days thereafter, the Administrative Agent shall distribute a Ballot and a pre-addressed, postage pre-paid envelope to you, which must be returned to the Administrative Agent no later than the Voting Deadline, which is **5:00 p.m. prevailing Eastern time on November 10, 2017.**

PLEASE TAKE FURTHER NOTICE THAT if you have any questions about the status of any of your Claims, you should contact the Debtors' Administrative Agent in accordance with the instructions provided above.