IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
FTD Companies, Inc., et al.,[1]	:	Case No. 19-_____ (___)
Debtors.	:	(Joint Administration Requested)

DECLARATION OF ALAN D. HOLTZ
IN SUPPORT OF CERTAIN FIRST-DAY MOTIONS

I, Alan D. Holtz, being duly sworn, state the following under penalty of perjury:

1. I am the appointed Chief Restructuring Officer of the above-referenced debtors and debtors in possession (collectively, the "Debtors") in these chapter 11 cases (collectively, the "Chapter 11 Cases"). In addition, I am a Managing Director of AlixPartners, LLP ("AlixPartners") and a Managing Director of AP Services, LLC ("APS"), an affiliate of AlixPartners. It is my understanding that, subsequent to the filing of this Declaration, the Debtors will file an application with the Court seeking the entry of an order that, among other things, (a) authorizes the Debtors to retain and employ APS for the provision of interim management services and (b) approves my appointment as Chief Restructuring Officer.

2. I have reviewed the following motions, filed by the Debtors contemporaneously herewith, for authority (a) to pay and/or honor certain prepetition obligations with respect to their Customers, Essential Suppliers, PACA Claimants, and Lienholders (each as

[1] The Debtors are the following 15 entities (the last four digits of their respective taxpayer identification numbers, if any, follow in parentheses): FTD Companies, Inc. (5852); Bloom That, Inc. (9936); Florists' Transworld Delivery, Inc. (6960); FlowerFarm, Inc. (2852); FSC Denver LLC (7104); FSC Phoenix LLC (7970); FTD, Inc. (1271); FTD.CA, Inc. (7556); FTD.COM Inc. (4509); FTD Group, Inc. (9190); FTD Mobile, Inc. (7423); Giftco, LLC (5832); Provide Cards, Inc. (3462); Provide Commerce LLC (0019); and Provide Creations, Inc. (8964). The Debtors' noticing address in these chapter 11 cases is 3113 Woodcreek Drive, Downers Grove, IL 60515.

defined herein) and (b) to obtain senior secured postpetition financing on a priming basis and to use cash collateral:

(a) *Motion of the Debtors for Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain Certain Customer Programs and (B) Honor or Pay Related Prepetition Obligations to Their Customers and (II) Granting Related Relief* (the "Customers Motion");

(b) *Motion of the Debtors for Interim and Final Orders (I) Authorizing the Debtors to Pay Prepetition Claims of Certain Essential Suppliers and (II) Granting Related Relief* (the "Essential Suppliers Motion");

(c) *Motion of the Debtors for Interim and Final Orders (I) Authorizing the Payment of Certain Prepetition Claims Asserted Under the Perishable Agricultural Commodities Act and (II) Granting Related Relief* (the "PACA Motion");

(d) *Motion of the Debtors for Interim and Final Orders (I) Authorizing the Debtors to Pay Prepetition Claims of Certain Lien Claimants and (II) Granting Related Relief* (the "Lienholders Motion" and, collectively with the Customers Motion, the Essential Supplier Motion, and the PACA Motion, the "Prepetition Obligations Motions"); and

(e) *Motion of the Debtors, Pursuant to Sections 105, 361, 362, 363, 364, and 507 of the Bankruptcy Code, Bankruptcy Rule 4001, and Local Rule 4001-2, for Interim and Final Orders (I) Authorizing Debtors to (A) Obtain Postpetition Financing and (B) Use Cash Collateral, (II) Granting Adequate Protection to Prepetition Secured Parties, (III) Scheduling Final Hearing, and (IV) Granting Related Relief* (the "DIP Financing Motion").

I submit this declaration (this "Declaration") in support of the relief that the Debtors have requested in the Prepetition Obligations Motions and the DIP Financing Motion.

3. I am over the age of eighteen and am authorized by the Debtors to submit this Declaration. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge; my discussions with members of the Debtors' management teams; the Debtors' employees or advisors; my review of relevant documents and information

concerning the Debtors' operations, financial affairs, and restructuring initiatives; or my opinions based upon my experience and knowledge. If called as a witness, I could and would competently testify to the facts set forth in this Declaration.

QUALIFICATIONS

4. AlixPartners is an internationally recognized restructuring and turnaround firm and has a wealth of experience in providing financial advisory services. AlixPartners and APS each enjoy an excellent reputation for services rendered in large and complex chapter 11 cases on behalf of debtors and creditors throughout the United States. AlixPartners and APS professionals have provided strategic advice to debtors, creditors, bondholders, investors, and/or other entities in numerous chapter 11 cases. Since their inception in 1981, AlixPartners, its subsidiaries and affiliates, and APS have provided restructuring or crisis management services in numerous large chapter 11 cases. See, e.g., In re PG&E Corp., Case No. 19-30088 (DM) (Bankr. N.D. Cal. Jan. 29, 2019); In re Heritage Home Group, LLC, et al., Case No. 18-11736 (KG) (Bankr. D. Del. Jul. 29, 2018); In re Video Equipment Rental, et al., Case No. 18-10834 (KG) (Bankr. D. Del. May 22, 2018); In re HCR Manorcare, Inc., et al., Case No. 18-10467 (KG) (Bankr. D. Del. Mar. 16, 2018); In re Velocity Holding Co., et al., Case No. 17-12442 (KJC) (Bankr. D. Del. Dec. 12, 2017); In re Appvion, Inc., et al., Case No. 17-12082 (KJC) (Bankr. D. Del. Oct. 30, 2017); In re The Gymboree Corp., et al., Case No. 17-32986 (KLP) (Bank. E.D. Va. July 26, 2017); In re BCBG Max Azria Global Holdings, et al., Case No. 17-10466 (SCC) (Bankr. S.D.N.Y. Mar. 29, 2017); In re Eastern Outfitters, LLC, et al., Case No. 17-10243 (LSS) (Bankr. D. Del. Mar. 9, 2017).

5. I have over 31 years of experience advising clients on maximizing value, recoveries, and financial returns in complex restructuring situations. This experience includes

working with management teams and boards of directors of dozens of large companies facing financial challenges like those facing the Debtors, including companies in the retail business.

6. I have a Bachelor of Science in Economics from the University of Pennsylvania. I am a Certified Insolvency and Restructuring Advisor; a member of the American Bankruptcy Institute; a member of the Turnaround Management Association; a member of the American Institute of Certified Public Accountants; and a past president of the Association of Insolvency and Restructuring Advisors.

RETENTION

7. The Debtors engaged AlixPartners in July 2018 to provide financial advisory and consulting services in connection with the Debtors' prepetition restructuring efforts. During the course of its engagement, AlixPartners worked closely with the Debtors' management and has become well-acquainted with the Debtors' capital structure, liquidity needs, and business operations. Prior to the commencement of these Chapter 11 Cases, each Debtor (through its board of directors or sole member, as applicable) appointed me to serve as its Chief Restructuring Officer.

FACTS RELEVANT TO THE PREPETITION OBLIGATIONS MOTIONS

8. The Debtors provide floral, specialty food, gift, and related products and services to consumers, retail florists, and other retail locations and companies in need of floral and gifting solutions. The Debtors' retail businesses operate in a highly competitive sector of the global economy. The preservation and maximization of the value of the Debtors' business operations, including the preservation of key business relationships and the provision of seamless service to the Debtors' Customers, is among management's primary goals as the Debtors transition into chapter 11. The value of the Debtors' business operations – and, thus, the ability

of the Debtors to maximize stakeholder recoveries during the Chapter 11 Cases – is dependent upon the continuing loyalty and confidence of these various constituencies.

Customers Motion

9. The value of the Debtors' retail floral, gourmet foods, personalized gifting, and other businesses – and thus, the ability of the Debtors to maximize stakeholder recoveries through these Chapter 11 Cases – is dependent upon the continuing loyalty and confidence of their customers. These customers fall into three general categories: (a) the thousands of retail florists and other non-florist retailers that are members of the Debtors' traditional florist network (each, individually, a "Florist Network Member," and, collectively, the "Florist Member Network"); (b) the Debtors' retail end consumers (collectively, the "Retail Customers"); and (c) the Debtors' strategic customer partners (collectively, the "Strategic Partners" and, together with the Florist Network Members and Retail Customers, the "Customers").

10. The Debtors' retail businesses operate in a highly competitive and continually evolving sector of the global economy. The profitability of those businesses depends upon the Debtors' ability to both (a) attract and, critically, retain Customers and (b) maintain the network and other infrastructure necessary to promote that objective. To accomplish these goals, in the ordinary course of business, the Debtors engage in certain practices (a) targeted to develop and sustain a positive reputation for their brands in the marketplace, (b) designed to attract new Customers to drive sales, and (c) focused on enhancing loyalty and customer experience among the Debtors' existing Customers. In addition, as part of their ongoing customer relationships with Florist Network Members and Strategic Partners – who serve the critical functions of facilitating, implementing, and driving the Debtors' sales – the Debtors remit to these Customers a certain amount of sale proceeds in exchange for their contributions thereto. Collectively, the

Debtors' customer-facing practices (the "Customer Programs") include, but are not limited to, those practices described in the following paragraphs.

A. Florist Member Network Programs

11. Network Membership and FTD Clearinghouse Services. The Florist Member Network is the core of the Debtors' legacy business. In consideration for certain membership, service, and other fees (collectively, the "Member Fees"),[2] the Debtors provide to the Florist Network Members access to various products and services, including: (a) the right to use the FTD brand and the Mercury Man® logo (as supported by various marketing campaigns); (b) the Debtors' clearinghouse system (the "FTD Clearinghouse") and order transmission services that enable Florist Network Members to send, receive, and deliver floral and gift orders through the "FTD Mercury Network"; (c) directory publication services covering the Florist Member Network; (d) Credit Card Processing Services (as defined below); (e) e-commerce website services (e.g., website design, hosting, and maintenance) and online advertising tools; (f) system support services; and (g) "last-mile" delivery services for Florist Network Members, among others.

12. Florist Network Members also purchase certain products from the Debtors, such as (a) fresh-cut flowers through the "FTD Flower Exchange;"[3] (b) branded and non-branded containers, customized packaging, targeted marketing products, and a wide variety

[2] Collectively, these Member Fees encompass a variety of fees related to the transactions between the Debtors and Florist Network Members. These Member Fees include, but are not limited to, reciprocity fees, technology access fees, and financing fees.

[3] The FTD Flower Exchange is an online platform through which Florist Network Members can order fresh cut flowers shipped directly from premium growers. The FTD Flower Exchange also offers certain resources to assist Florist Network Members with ordering and other inventory-related needs.

of other floral-related supplies through the "FTD Marketplace";[4] and (c) floral products and supplies through an online order management system. In addition, Florist Network Members may purchase (and, for certain purchases, often finance through the Debtors) point-of-sale (POS) systems and related technology services that provide them access to the FTD Mercury Network and FTD Clearinghouse and enable them to transmit and receive orders, enhance Retail Customer relationships, and manage back-office functions (e.g., accounting, Retail Customer relationship management, direct marketing campaigns, delivery route management, and event planning).

13. Through membership in the Florist Member Network, the Debtors provide Florist Network Members tools and services to grow their businesses and drive sales, which ultimately benefits the Debtors. The FTD Mercury Network enables Florist Network Members to transmit Retail Customer orders to, and communicate with, other Florist Network Members. Through these capabilities, Florist Network Members can send and receive orders from Retail Customers (e.g., through their website, via phone, or from walk-ins).

14. When a Florist Network Member sends an order through the FTD Mercury Network, that member (the "Sending Florist") collects the value of the order from the Retail Customer and receives a fee for generating the order (a "Generation Fee"). Through the FTD Clearinghouse, the Debtors collect from the Sending Florist the order value in excess of the Generation Fee and credit that amount to the Florist Network Member that fulfills the order (a "Fulfillment Credit"). Florist Network Members also receive Retail Customer orders (a) placed through the Debtors' websites and phone numbers and (b) generated through the

[4] The FTD Marketplace is an online platform through which Florist Network Members can purchase a variety of floral products for use in their businesses, including exclusive codified products, shop basics, glassware, supplies, and gifts.

Debtors' Strategic Partner Programs (as defined below). The Debtors charge certain fees associated with these services (the "Clearinghouse Fees").

15. Transactions related to the Florist Member Network are processed through the FTD Clearinghouse. The Debtors send a monthly statement to Florist Network Members (the "FTD Clearinghouse Statement"), representing the Florist Network Members' FTD Clearinghouse activity for the prior month, including: (a) charges for Member Fees, Clearinghouse Fees, Credit Card Processing Fees (as defined herein), and purchases made through the FTD Flower Exchange and FTD Marketplace; and (b) Fulfillment Credit and credit for Generation Fees. As reflected in the FTD Clearinghouse Statement, in the ordinary course of business, the Debtors net out amounts owed by and to Florist Network Members such that, in any given month, the Debtors may owe amounts to, or be owed amounts by, the Florist Network Members. The Debtors anticipate that, as of the Petition Date, the accrued amounts owed to Florist Network Members through the FTD Clearinghouse is approximately $16 million (the "Clearinghouse Obligations").[5]

16. In addition, the Debtors (a) fulfill and facilitate international orders (e.g., orders originating outside North America to be fulfilled therein; or vice versa) and (b) process payments to overseas florists fulfilling such transactions through non-Debtor affiliate Interflora, Inc. Fulfillment revenues due to the Debtors on account of orders placed outside North America and fulfilled in North America average approximately $400,000 per month and are offset by the fees and costs of processing and fulfillment obligations owed to overseas florists (the "International Obligations" and, together with the Clearinghouse Obligations, the "Florist

[5] This amount includes Generation Fees owed to "order gatherer" Florist Network Members who send but do not fulfill orders.

Obligations") of approximately $200,000 per month. The Debtors estimate that, as of the Petition Date, they are owed approximately $200,000 on account of fulfillment of overseas orders.

17. Credit Card Processing Services. Pursuant to an agreement by and among Bank of America, N.A. ("Bank of America"), Bank of America Merchant Services, LLC ("BAMS" and, together with Bank of America, the "Servicers"), and Debtor Florists' Transworld Delivery, Inc. (the "Payment Facilitator Agreement"), the Debtors offer credit card, debit card, and certain other transaction processing services to Florist Network Members (the "Credit Card Processing Services") in exchange for certain fees (the "Credit Card Processing Fees"). In 2018, the Debtors processed approximately $600 million in credit card purchases for Florist Network Members.

18. Through the Credit Card Processing Services, Florist Network Members transmit credit card transaction files to the Debtors, who then facilitate transaction processing through the Servicers. The Debtors then remit funds from credit card companies to the Florist Network Members, typically on the third day following the initial purchase (the "Credit Card Transfers"). Due to the brief, ordinary course delay in remitting Credit Card Transfers to Florist Network Members, the Debtors estimate that, as of the Petition Date, up to $15 million in Credit Card Transfers relating to prepetition Credit Card Processing Services may remain unremitted (the "Unremitted Credit Card Transfers").

19. Other Florist Network Member Programs. To attract and retain Florist Network Members, in the ordinary course of business, the Debtors have implemented certain customer programs (collectively, the "Member Programs") that provide exclusive membership benefits, including, but not limited to, those programs described in the following two paragraphs.

(a) FTD Rewards

20. All Florist Network Members automatically are registered for the "FTD Rewards" program through which they earn one point for every dollar spent on purchases made through FTD – including membership, products, and services – and three points for every dollar spent online at the FTD Flower Exchange. Florist Network Members can redeem accrued points toward the cost of flowers purchased online through the FTD Flower Exchange. FTD Rewards points expire 90 days from date of the award. As of the Petition Date, the Debtors estimate that Florist Network Members have accrued no more than $300,000 worth of FTD Rewards points that will be valid for redemption within 90 days of the Petition Date.

(b) Rebates

21. Through their Cash-Flo™ Credit Card Processing Services and Dollars & Scents™ program, the Debtors offer rebates to Florist Network Members who send 20 or more outgoing orders each month and pay their FTD Clearinghouse Statement in full when due. These rebates are credited against Florist Network Members' future FTD Clearinghouse Statements.

B. Retail Customer Programs

22. The Debtors maintain certain Customer Programs for Retail Customers. These programs include replacement and refund policies, the "FTD Gold" customer loyalty program, prepayment options, gift cards and vouchers, and sales promotions.

- Replacement and Refund Policies. For Retail Customers, the Debtors offer a "Love It or We'll Make it Right" policy and a "7 Day Freshness Guarantee." Under these programs, the Debtors agree to provide a replacement or refund to any Retail Customer who is dissatisfied with a purchase, does not receive delivery, or received goods that did not last for at least seven days. These policies provide the Debtors' Retail Customers with comfort that they will be able to receive a replacement, a refund, or store credit/gift codes for redemption, as applicable, if they are not satisfied with their customer experience.

- Flower Farm. Through the Debtors' online Flower Farm platform, Retail Customers can purchase fresh-cut flowers for delivery from the grower.

- FTD Gold Membership. For an annual fee, the FTD Gold Membership provides members various benefits, including unlimited free standard shipping, early access to new products and collections, and exclusive offers and promotions.

- Prepayments. In the ordinary course of business, Retail Customers who place orders through FTD.com are billed at the time the order is placed, but before delivery, which is scheduled for a future date (the "Ordinary Course Prepayments"). In addition, the Debtors offer certain opportunities for Customers to pay for their products in advance, such as a "Flower of the Month" program (collectively, the "Continuity Programs," and together with the Ordinary Course Prepayments, the "Prepayments"). As of the Petition Date, the Debtors estimate that they held approximately $2.7 million on account of Prepayments.

- Gift Cards and Vouchers. Prior to the Petition Date, certain of the Debtors sold and issued gift cards that could be redeemed for merchandise (the "Gift Cards"). The last Gift Cards were issued in 2015, and the Debtors estimate that, as of the Petition Date, only approximately 100 Gift Cards remain outstanding, with a total value of approximately $10,000. In addition, Retail Customers can purchase vouchers – primarily through entities such as Groupon – that can be redeemed for merchandise, often at a discounted price (the "Vouchers"). The Debtors estimate that as of the Petition Date, approximately $600,000 in Vouchers have been purchased and remain outstanding.

- Sales Promotions. To attract customers and drive sales, in the ordinary course of business, the Debtors conduct sales promotions and offer discounts (collectively, the "Sales Promotions"). The Sales Promotions and Vouchers are important parts of the Debtors' marketing strategy, as they engender goodwill for the brand, target captive customers or customers that would otherwise be unlikely to purchase the Debtors' merchandise, help the Debtors to liquidate perishable inventory, and generate revenue by encouraging sales through the Debtors' online channels.

C. Strategic Partner Programs

23. The Debtors have long-established strategic partnerships with leading customer organizations (collectively, the "Strategic Partner Programs"), including USAA, American Airlines, Delta Airlines, United Airlines, Batesville, and Commission Junction.

Through these Strategic Partner Programs, customers of the Debtors' Strategic Partners (a) receive access to discounted floral gifting options and (b) can earn points or rewards with each purchase. Such customers can purchase the Debtors' products either by paying cash (and earning points with the applicable Strategic Partner) or by redeeming points from the applicable Strategic Partner.

24. The Strategic Partner Programs enhance the Debtors' brand awareness and customer loyalty and generate a significant volume of customer orders. In 2018, the Debtors fulfilled approximately 2.5 million orders captured through Strategic Partner Programs, generating approximately $150 million in revenue. Under the Strategic Partner Programs, the Debtors typically remit to the Strategic Partners a modest, agreed commission based on the site visits and revenue generated by such orders (collectively, the "Strategic Partner Commissions"). As of the Petition Date, the Debtors owe approximately $1.1 million in prepetition Strategic Partner Commissions.

D. Netting of Chargebacks For Credit Card Processing

25. In addition to cash, the Debtors accept a number of non-cash payment methods from Retail Customers, including Visa, MasterCard, Discover, American Express, debit cards, PayPal, and Apple Pay (the "Non-Cash Payments"). Under the Payment Facilitator Agreement and a separate merchant services agreement between Debtor Provide Commerce LLC ("Provide Commerce") and the Servicers (as amended, the "Provide Merchant Services Agreement" and, together with the Payment Facilitator Agreement, the "Payment Processing Agreements"), the Servicers facilitate processing of certain Non-Cash Payments for purchases made through FTD.com and Provide Commerce.[6] Under the Payment Processing Agreements,

[6] The Debtors have separate arrangements that allow Retail Customers to utilize PayPal and Apple Pay payment methods (together, the "Alternative Non-Cash Payment Methods") at certain of the Debtors'

the Debtors receive the gross customer sales less any refunds, adjustments, chargebacks, applicable fees, and any other amounts due from the Debtors to the Servicers under the Payment Processing Agreements. In the aggregate, the Servicers charge fees of approximately $136,000 on a monthly basis for services under the Payment Processing Agreements (the "Processing Fees"). As of the Petition Date, the Debtors owe approximately $59,000 in outstanding Processing Fees.

26. In addition, when customers either return merchandise following a purchase made by Non-Cash Payment or dispute charges, the Debtors may be obligated to refund to the Servicers the purchase price of the returned or disputed merchandise, subject to certain adjustments (collectively, the "Chargebacks," and together with the Processing Fees, the "Processing Obligations"). Generally, Chargebacks[7] are satisfied by netting the amount charged against pending payments owed by the Servicers to the Debtors.[8] It is likely that certain Processing Obligations incurred by the Debtors immediately prior to the Petition Date may not have been fully netted out against the payments received by the Debtors prior to the Petition Date.

27. The Payment Processing Agreements – and the Debtors' ability to accept Non-Cash Payments, generally – are essential to the Debtors' businesses. First, the Payment Facilitator Agreement provides the Debtors the ability to offer the Credit Card Processing Services to the Florist Network Members, which expands the scope and appeal of FTD

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websites, associated mobile sites, and applications. Alternative Non-Cash Payment Methods represent a *de minimis* fraction of all Non-Cash Payments. Accordingly, for purposes of this Motion, the Processing Fees (as defined herein) include fees charged on account of Alternative Non-Cash Payment Methods.

7 All Chargebacks on Florist Network Member accounts are charged back to the Florist Network Members. In general, the Chargebacks represent less than one half of 1% of purchases.

8 BAMS currently holds a $5 million reserve as security for the Debtors' obligations under the Payment Processing Agreements.

membership and provides an additional revenue stream. Second, the Debtors' acceptance of Non-Cash Payments creates payment flexibility for the Debtors' Retail Customers. This flexibility is expected – indeed, taken for granted – by most retail customers and its loss would significantly impair the Debtors' ability to serve, attract, and retain those customers. Declining to accept Non-Cash Payments would have a severe negative effect on the Debtors' operations, the cost of which would be borne by their estates.

28. Absent the relief requested in the Customers Motion, I believe that (a) delays in honoring or paying the Customer Obligations (as defined in the Customers Motion) threaten to severely damage the Debtors' relationships with existing Customers and impair their ability to generate new Customers and (b) failure to honor Customer Obligations would amplify the negative effect of Customer uncertainty that is likely to arise from the filing of these Chapter 11 Cases, placing the Debtors at a significant disadvantage in a competitive marketplace.

29. Were the Debtors to fail to pay their Customer Obligations in the ordinary course and without interruption, they would almost certainly suffer an irreparable loss of Customer support and confidence in a market where goods and services from competitors are readily available. In particular, many Florist Network Members maintain simultaneous memberships with the Debtors' competitors. This creates flexibility for this critical Customer group such that any disruption in payment of Customer Obligations could cause Florist Network Members to rely wholly upon the Debtors' competitors, neglect orders for delivery, or terminate their memberships with the Debtors. Competitive market pressures extend to the Debtors' relationships with their Retail Customers and Strategic Partners such that any failure to maintain

"business as usual" risks a Customer exodus to the Debtors' competitors, which would devastate the Debtors' efforts to maximize value in these Chapter 11 Cases.

30. Similarly, the Customer Programs (as defined in the Customer Motion) are necessary elements of the Debtors' day-to-day operations in the ordinary course of business. The failure to maintain the Customer Programs in the ordinary course and without interruption would almost certainly cause the Debtors to suffer an irreparable loss of customer support and confidence, damage their brands, and severely impede their goals in these Chapter 11 Cases, to the detriment of their stakeholders.

Essential Suppliers Motion

31. The Debtors have reviewed their outstanding accounts payable and consulted with members of their management team to identify those suppliers that are essential to preserve and maximize the value of their business operations, and thus, their chapter 11 estates (the "Essential Suppliers"). The Essential Suppliers provide (a) products that constitute indispensable segments of the Debtors' inventory and (b) critical platforms and services that the Debtors utilize to attract, retain, and serve their Customers and promote their products. Through the Essential Suppliers Motion, the Debtors seek authority, in their discretion, to pay Essential Supplier Claims (as defined herein), up to the maximum aggregate amount of $15 million – which equals approximately 2% of the Debtors' historical annual expenditures on goods and services.

32. In identifying the Essential Suppliers, the Debtors considered the following criteria, among others:

- the nature of the goods or services being supplied and their importance to the Debtors' operations;
- whether a vendor is a sole- or limited-source or high-volume supplier for goods or services essential to the Debtors' business operations;

- whether alternative suppliers are available that can provide requisite volumes of similar goods or services on equal (or better) terms and, if so, whether the Debtors would be able to continue operating while transitioning business thereto;
- the degree to which replacement costs (including pricing, transition expenses, professional fees, and lost sales or future revenue) exceed the amount of a supplier's prepetition claim;
- whether failure to pay all or part of a particular supplier's claim could cause the supplier to refuse to ship inventory or to provide essential services on a postpetition basis;
- whether failure to pay a particular supplier could result in contraction of trade terms;
- whether the supplier is party to an enforceable contract with one or more of the Debtors; and
- the significant liquidity constraints confronting the Debtors as they commence the Chapter 11 Cases.

Through this analysis, the Debtors have identified certain inventory and non-inventory suppliers that are essential to preserving the value of their chapter 11 estates. The Debtors have narrowly tailored the definition of "Essential Suppliers" to encompass only those suppliers that are sole or limited sources, or high-volume suppliers, for goods or services critical to the Debtors' business operations, or where the transition period or costs associated with replacing the supplier would put the Debtors' operations at risk. The Debtors' expect that only a limited amount of liquidity will be available under their proposed debtor-in-possession credit facility for the payment of prepetition claims of suppliers, thus limiting the universe of Essential Suppliers to only those entities truly critical to the Debtors' ongoing operations and restructuring strategy. In addition, certain of the Essential Suppliers are located outside of the United States, and thus it would be difficult for the Debtors to compel performance if such suppliers refuse to perform. Finally, the Debtors estimate that of the $15 million in Essential Supplier Claims they have identified, nearly $4.5 million are claims entitled to section 503(b)(9) priority.

A. Inventory Suppliers

33. The success of the Debtors' business operations is based, in part, on the Debtors' ability to offer a variety of products that are readily available to satisfy customer needs and demands. To accomplish this, in the ordinary course of business, the Debtors purchase perishable and non-perishable inventory from numerous domestic and international suppliers.

34. Perishable Inventory. The Debtors historically have relied upon an extensive network of international and domestic suppliers (collectively, the "Perishable Inventory Suppliers") for their perishable inventory needs. The Essential Suppliers that the Debtors seek to pay pursuant to the relief sought herein supply (a) unique floral products (e.g., select flowers) that the Debtors (i) sell to Florist Network Members through the FTD Flower Exchange and (ii) market to Retail Customers; and (b) certain food products and related ingredients necessary to the Debtors' Gourmet Foods business unit operations. Perishable inventory typically is supplied on an order-by-order basis, and at a high rate of turnover.

35. The Debtors depend upon the quality and continuous supply of their perishable inventory to satisfy Customers and maintain the strength of FTD brands in the market. The Debtors' Customers expect their products to be consistently dynamic and of incomparable quality. Among other things, certain of the Perishable Inventory Suppliers are the sole source of specific products that are key to the Debtors' signature brand offerings. Finding alternative suppliers to fulfill these ongoing perishable inventory needs would be costly and time consuming.

36. Moreover, the Debtors' ongoing sale processes limit the Debtors' flexibility with respect to certain of their Perishable Inventor Suppliers. Given the contemplated sales of certain of the Debtors' business units, it would be extremely challenging to find

alternative suppliers for such business units in the time frame anticipated to consummate such sales.

37. Non-Perishable Inventory. The Debtors rely on a network of suppliers (collectively, the "Non-Perishable Inventory Suppliers" and, together with the Perishable Inventory Suppliers, the "Inventory Suppliers") for a wide variety of non-perishable, floral-related inventory needs (e.g., branded and non-branded containers and customized packaging) (collectively, the "Non-Perishable Inventory"). Through their online FTD Marketplace, the Debtors sell the Non-Perishable Inventory to Florist Network Members for use in sales to Retail Customers. The Debtors depend upon the Non-Perishable Inventory Suppliers to provide high quality products at competitive prices in order to meet the needs of their Florist Network Members and provide the singular FTD brand experience that Retail Customers expect. For example, the Debtors regularly offer special promotions incorporating Non-Perishable Inventory, which promotions greatly enhance the Debtors' brand equity and profitability. The Non-Perishable Inventory is integrated into these promotions in such a way that if there were any disruption in supply, finding an alternative source would (a) be prohibitively expensive and (b) threaten the Debtors' ability to continue the promotions, thus undermining the Debtors' operations. Moreover, as described above with respect to perishable inventory, the Debtors' ongoing sale processes limit the Debtors' flexibility with respect to their Non-Perishable Inventory Suppliers.

38. The Debtors' retail businesses operate in a highly competitive sector of the global economy. It is essential to the Debtors' efforts to maximize value for stakeholders that delivery of their perishable and non-perishable inventory be continued without disruption. The failure to pay outstanding prepetition amounts to the Inventory Suppliers will negatively

impact the Debtors' existing relationship with certain suppliers, threatening the continuous supply of inventory that the Debtors require to operate on a day-to-day basis. Without a continuous supply of inventory, the Debtors would be unable to satisfy their Customers, leading to an irreparable loss of Customer support and confidence. Under such circumstances, the value of the Debtors' ongoing business operations, and thus, their chapter 11 estates, would be significantly impaired to the detriment of their stakeholders.

B. Non-Inventory Suppliers.

39. In addition to inventory, the Debtors' operations rely upon a number of key marketing, technology, and third-party fulfillment services to promote the Debtors' brands and products, drive sales, and meet the needs of their Customers.

40. Marketing and Technology. The Debtors' highly competitive retail industry demands significant marketing exposure and investment to maintain profitability. To fulfill those needs, the Debtors rely heavily on certain marketing and technology services to attract and retain Customers and otherwise promote their businesses. In particular, the Debtors depend upon certain vendors (the "Marketing Services Suppliers") to utilize digital marketing and web-based sales channels (e.g., paid click, click-through, and product placement). Access to the Marketing Services Suppliers' platforms translates directly into product sales and profitability and, without the ability to market their brands and products on such platforms, the Debtors' businesses would not be competitive. The Debtors also depend upon other marketing and technology vendors that are deeply integrated with the Debtors' systems and critical to enabling the Debtors to bid on digital marketing, implement marketing channels, and measure performance (the "Integrated Marketing and Tech Vendors" and, together with the Marketing Services Suppliers, the "Marketing and Tech Suppliers"). Transitioning from these Integrated Marketing and Tech Vendors would be costly and deeply disruptive to the Debtors' operations.

41. Moreover, even if replacement suppliers were available (which they are not), extensive time and fiscal resources have been expended to ensure seamless coordination among the Debtors and certain of the Marketing and Tech Suppliers with respect to the implementation of targeted marketing strategies. Because of their expertise and familiarity with the Debtors' businesses and operations, replacing such Marketing and Tech Suppliers would be unduly burdensome, prohibitively expensive, and time consuming, especially given the potential customer interactions that would be lost in the process.

42. Other Technology Services. The Debtors further rely on vendors that provide certain other technology services integrated into the Debtors' distribution network, including network connectivity, webhosting, and cloud-based services. These services are (a) critical to the Debtors' ability to operate on a day-to-day basis, (b) extremely difficult to replace within the near term, and (c) without them, the Debtors' operations would experience severe disruption.

43. Third-Party Drop-Shipping Services. Prior to the Petition Date, the Debtors made extensive use of third-party drop-ship services (collectively, the "Third Party Drop-Ship Suppliers") to fulfill orders through FTD.com, ProFlowers, Gourmet Foods, and Personal Creations business units. In such situations, the Third-Party Drop-Ship Suppliers fulfill Retail Customer orders with their own inventory, eliminating the Debtors' inventory risk for those orders. Historically, the Third-Party Drop-Ship Suppliers have filled a critical gap in fulfillment and delivery coverage areas. Moreover, as part of the Debtors' strategy in the Chapter 11 Cases to remove unprofitable inventory risk, the Debtors anticipate increasing their use of Third-Party Drop-Ship Suppliers to fulfill Retail Customer orders on a go-forward basis.

This prospect is only possible if the Debtors maintain solid business relationships with the Third-Party Drop-Ship Suppliers.

44. Absent the relief requested in the Essential Suppliers Motion, I believe that certain Essential Suppliers may refuse to deliver goods and provide services without payment of their prepetition claims, or that the failure to pay may otherwise negatively impact the Debtors' critical relationships with the Essential Suppliers. Indeed, the Debtors' relationships with many of their suppliers have grown increasingly strained in the months leading up to the commencement of these chapter 11 cases. The liquidity concerns that the Debtors experienced prior to the Petition Date already have placed the Debtors in a precarious position with many of their suppliers, certain of which have demanded accommodations and threatened to cut off supply to the Debtors. In addition, to maintain liquidity sufficient to ensure the ongoing operation of their businesses in the weeks leading up to the Petition Date, the Debtors were unable to make payment to certain suppliers – including Essential Suppliers – creating increased unrest among this key constituency.

45. Upon the news of the commencement of the Debtors' Chapter 11 Cases, and absent the relief requested in the Essential Suppliers Motion, I believe that certain vendors may contract trade terms, thus creating downward pressure on the Debtors' liquidity, which would impair the Debtors' ability to serve their Customers, to the detriment of all stakeholders. Any further disruption to "business as usual" and the Debtors' ability to (a) serve their Customers in a manner consistent with Customer expectations and/or (b) actively promote their products and cultivate brand equity is likely to cause significant customer attrition in a market where competitors are readily available. Such an outcome would devastate the Debtors' efforts to maximize value for their stakeholders.

PACA Motion

46. It is my understanding that (a) certain products that the Debtors have purchased but not yet paid for – e.g., berries – may qualify as "perishable agricultural commodities" under the Perishable Agricultural Commodities Act of 1930, as amended 7 U.S.C. §§ 499a *et seq*. ("PACA"), and (b) PACA provides various legal protections to fresh fruit and vegetable sellers.

47. The Debtors estimate that they purchase approximately $13.6 million of goods that may qualify as "perishable agricultural commodities" under PACA on an annual basis. The Debtors estimate that sellers of such goods (collectively, the "PACA Claimants") held approximately $1.2 million in unpaid claims (collectively, the "PACA Claims") as of the Petition Date. Payment of valid PACA Claims will benefit the Debtors' estates by preserving the goodwill of PACA Claimants and, thus, facilitating the continued supply of goods necessary to the Debtors' businesses and avoiding potential disruption to business operations.

48. It is my understanding that, to the extent that any valid PACA Claims remain unsatisfied by the Debtors, the Debtors' officers and directors may be subject to lawsuits during the pendency of these Chapter 11 Cases. Any such lawsuit (and the ensuing potential liability) would distract the Debtors and their officers and directors from their efforts to implement a successful restructuring strategy in these Chapter 11 Cases. It is my further understanding that, without the ability to pay PACA Claimants, the Debtors could be subject to numerous claims and adversary proceedings in these Chapter 11 Cases, which would result in the unnecessary expenditure of time, effort, and money by the Debtors and the Court.

Lienholders Motion

49. It is my understanding that, in the operation of their businesses, certain parties with commercial or trade relationships with the Debtors have the ability to, and do, obtain

liens on and interests in property owned by the Debtors, in most cases by possession of the Debtors' property. I believe that the failure to pay the claims of certain of these parties could have a significant adverse impact on the Debtors' business operations at a time when the Debtors can ill afford such impact.

50. An integral component of the Debtors' business operations is the efficient flow of Products to and from their Customers. As a result, the Debtors often transact with and rely heavily on commercial common carriers (including truckers, air shippers, and seaborne shippers), warehousemen, customs brokers and expeditors (including operators of terminals in possession of the Debtors' goods), and certain other third-party vendors and service providers (collectively, the "Lienholders") to ship, transport, store, move through customs, and deliver Products through established distribution networks.

51. At any given time, the Lienholders likely have possession of large quantities of Products that are in transit. As of the Petition Date, many of the Lienholders had claims for storage, transportation, and related services previously provided to the Debtors (collectively, with any related customs duties, taxes, tariffs, and fees, the "Lienholder Claims"). The Debtors anticipate that certain Lienholders will refuse to deliver or release Products before their claims have been satisfied and their liens extinguished. Such a material disruption in the operation of the Debtors' distribution network would ultimately delay the shipment of Products to the Debtors' Customers.

52. The Debtors have evaluated (and will continue to evaluate) requests for payment by Lienholders and only intend to pay such claimants whose continued services are critical to preserving the value of the Debtors' estates. Although it is difficult to estimate with precision the amounts due and owing at any given moment, the Debtors estimate that the

prepetition outstanding amounts owed to Lienholders essential to the preservation of the Debtors' estates, as of the Petition Date, is approximately $3.5 million.

53. Absent the relief requested in the Lienholders Motion, I believe that many of the Lienholders may stop providing their essential services to the Debtors. I believe that any such interruption in obtaining the services and cooperation of the Lienholders would: (a) delay product shipments; (b) force the Debtors to incur the costs of premium replacement shipping and warehousing services; (c) damage the Debtors' business reputation; (d) undermine the Debtors' ability to maintain the selection of Products necessary to retain Customer loyalty (and thus impair the Debtors' ability to generate ongoing operating revenue); and (e) adversely and irreparably affect the Debtors' efforts to maximize value for their stakeholders. Since the Debtors' businesses depend upon their ability to satisfy Customer orders in a timely fashion (e.g., for important celebrations and milestones), any disruption, delay, or inability to reliably complete those orders (e.g., shippers' refusal to deliver goods in their possession to retail florist and/or retail end customers) is likely to result in cancellations, loss of brand equity, and permanent loss of business. Even if suitable alternative providers are available, the time necessary to identify these replacement providers and integrate them into the Debtors' operations likely would cause a significant disruption to the Debtors' operations. During any such transition period, the Debtors would lose access to valuable goods held by the Lienholders. Should the Debtors' flow of goods be interrupted for even a brief period of time, the Debtors could suffer disruptions to their operations, with a corresponding loss of Customer confidence – placing the Debtors at a significant disadvantage in a highly competitive retail marketplace. The Debtors cannot afford any material disruptions to their business operations or present anything less than "business as usual" in a market where competitors are readily available to their Customers.

FACTS RELEVANT TO THE DIP FINANCING MOTION[9]

54. Concurrently with the efforts to obtain third-party postpetition financing, the Debtors, with the assistance of their professionals, engaged in negotiations with the Prepetition Lenders regarding potential postpetition financing. Ultimately, after extensive negotiations, the Debtors entered into an agreement pursuant to the terms described in the DIP Financing Motion to enter into the DIP Facility. The DIP Facility will provide the Debtors with the capital they need and the ability to consensually use the Cash Collateral of the Prepetition Lenders. Further, the DIP Lenders were able to move quickly to offer and negotiate the DIP Credit Agreement, which was important in light of the Debtors' current financial situation.

55. The Debtors require immediate access to the DIP Facility and the use of Cash Collateral to operate their businesses, preserve value, and pursue their restructuring goals. The Debtors' businesses are cash intensive, with significant daily costs for inventory replenishment, shipping and delivery, sales and marketing, employee obligations, and the costs of providing support services (e.g., customer services) to the Debtors' Florist Network Members. The Debtors, in consultation with AlixPartners, have reviewed and analyzed the Debtors' projected cash needs and have prepared a 9-Week budget (the "9-Week Budget") outlining the Debtors' postpetition cash needs in the initial 9 weeks of these cases. I believe that the 9-Week Budget appropriately reflects the Debtors' estimated funding requirements over the identified period, and it shows the Debtors being able to meet their obligations – including administrative expenses in these Chapter 11 Cases – and is reasonable and appropriate under the circumstances.

[9] Capitalized terms not otherwise defined herein have the meanings given to them in the DIP Financing Motion.

56. Immediate and ongoing access to funding under the DIP Facility is intended to demonstrate to customers, employees, vendors, suppliers, and other key constituencies that the Debtors have sufficient resources available to meet their obligations in the ordinary course during these cases. Absent funds available under the DIP Financing, access to Cash Collateral and the cooperation of key business partners at this critical early stage, the Debtors could (a) face a significant interruption in their businesses; (b) face diminished customer confidence in the "FTD" brand name; and (c) undermine the support of important groups on whom the Debtors' businesses and restructuring depend, which, in turn, would hinder their ability to preserve the value of their estates.

57. The DIP Credit Agreement contains certain sale milestones ("Sale Milestones") that the Debtors must meet throughout these Chapter 11 Cases, and a failure to meet such Milestones constitutes an event of default under the DIP Credit Agreement. These Milestones were heavily negotiated at arms'-length and required by the DIP Lenders as a condition to the DIP Facility. While the Sale Milestones are certainly aggressive, the DIP Lenders would not have agreed to provide the financing under the DIP Documents without them. The Debtors submit that they are able to run a value-maximizing sale process in the timeline proscribed by the Sale Milestones. The Debtors and their advisors, including AlixPartners, believe the Sale Milestones are reasonable under the circumstances.

58. In consultation with the Debtors and their other advisors, AlixPartners concluded that, given the circumstances, the proposed financing from the DIP Lenders reflected in the DIP Credit Agreement and the Interim and Final Orders (a) is appropriate, (b) meets the Debtors' business and financing needs for these Chapter 11 Cases, (c) provides the most cost-effective and beneficial financing available to the Debtors given the circumstances, and

(d) is necessary to finance the restructuring process and allow the Debtors to pursue their restructuring goals and preserve value in these Chapter 11 Cases.

59. Based on the information available to me, and my observations during the course of the negotiations over the DIP Facility, it is my opinion that (a) the terms and conditions of the DIP Facility were negotiated by the parties in good faith and at arms'-length, (b) the DIP Facility is the only financing currently available to the Debtors, and (c) entering into the DIP Facility is in the interests of the Debtors' estates.

60. It is essential that the Debtors immediately obtain the financing contemplated by the DIP Facility to preserve and protect the value of their estates. The Debtors must therefore move swiftly toward a sale under the protection of these Chapter 11 Cases. The funding contemplated by the DIP Facility will provide the Debtors with working capital to maintain their facilities and corporate functions and pay their employees, together with funding the costs of conducting the sale and these Chapter 11 Cases.

61. Based on my experience, the proposed DIP Facility is reasonable given current market conditions, the Debtors' circumstances, and the terms of the Debtors' Prepetition Credit Agreement. I believe that the economic terms of the proposed DIP Facility is within the range of other large DIP facilities in recent years.

62. I believe the fees, interest rate, and other economics are consistent with market rates for other postpetition financing facilities in similar circumstances, are reasonable under the circumstances, and the financing under the DIP Facility is the only viable option currently available to the Debtors. Based on the Debtors' financial forecasts, I also believe that the DIP Facility will provide the Debtors with sufficient liquidity (a) to continue operating and (b) to pursue their restructuring goals. As such, in my opinion, the Debtors' determination to

enter into the DIP Facility represents a reasonable exercise of their business judgment and should be approved.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: June 3, 2019
New York, NY

/s/ Alan D. Holtz
Alan D. Holtz
Chief Restructuring Officer
FTD Companies, Inc.