IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	:	Chapter 11
Sequential Brands Group, Inc., et al.,[1]	:	Case No. 21-11194 (JTD)
Debtors.	:	(Jointly Administered)
	:	Docket Ref. No. 19

DECLARATION OF DEREK HERBERT IN SUPPORT OF MOTION OF THE DEBTORS FOR ENTRY OF ORDERS (I)(A) APPROVING BIDDING PROCEDURES FOR THE SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS, (B) AUTHORIZING THE DEBTORS TO ENTER INTO ONE OR MORE STALKING HORSE AGREEMENTS AND TO PROVIDE BIDDING PROTECTIONS THEREUNDER, (C) SCHEDULING AN AUCTION AND APPROVING THE FORM AND MANNER OF NOTICE THEREOF, (D) APPROVING ASSUMPTION AND ASSIGNMENT PROCEDURES AND (E) SCHEDULING A SALE HEARING AND APPROVING THE FORM AND MANNER OF NOTICE THEREOF; (II)(A) APPROVING THE SALE OF THE DEBTORS' ASSETS FREE AND CLEAR OF LIENS, CLAIMS, INTERESTS AND ENCUMBRANCES AND (B) APPROVING THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) GRANTING RELATED RELIEF

I, Derek Herbert, pursuant to section 1746 of title 28 of the United States Code, hereby declare that the following is true to the best of my knowledge, information, and belief:

1. I am a Managing Director at Stifel, Nicolaus & Co., Inc. ("Stifel"), which has a principal place of business at 787 7th Avenue, 11th Floor, New York, NY 10019. Stifel is the financial advisor to the debtors in the above-captioned chapter 11 cases (collectively, the "Debtors").

[1] The Debtors, along with the last four digits of each Debtor's tax identification number, are: Sequential Brands Group, Inc. (2789), SQBG, Inc. (9546), Sequential Licensing, Inc. (7108), William Rast Licensing, LLC (4304), Heeling Sports Limited (0479), Brand Matter, LLC (1258), SBG FM, LLC (8013), Galaxy Brands LLC (9583), The Basketball Marketing Company, Inc. (7003), American Sporting Goods Corporation (1696), LNT Brands LLC (3923), Joe's Holdings LLC (3085), Gaiam Brand Holdco, LLC (1581), Gaiam Americas, Inc. (8894), SBG-Gaiam Holdings, LLC (8923), SBG Universe Brands, LLC (4322), and GBT Promotions LLC (7003). The Debtors' corporate headquarters and the mailing address for each Debtor is 1407 Broadway, 38th Floor, New York, NY 10018.

2. I am over the age of eighteen years and authorized to submit this declaration (this "Declaration") on behalf of the Debtors. I am not being specifically compensated for this testimony. Stifel, as a professional proposed to be retained by the Debtors, will receive payments in its capacity as financial advisor to the Debtors; none of those payments are specifically payable on account of this testimony.

3. Except as otherwise indicated, all statements set forth in this Declaration are based on my personal knowledge of the Debtors' financing process and their operations and finances developed during the course of Stifel's engagement with the Debtors, my discussions with the Debtor's senior management, other members of the Stifel team, and the Debtors' other advisors, and my review of relevant documents and/or my opinion based upon my experience.

4. I submit this declaration in support of the *Motion of the Debtors for Entry of Orders (I)(A) Approving Bidding Procedures for the Sale of Substantially All of the Debtors' Assets, (B) Authorizing the Debtors to Enter into One or More Stalking Horse Agreements and to Provide Bidding Protections Thereunder, (C) Scheduling an Auction and Approving the Form and Manner of Notice Thereof, (D) Approving Assumption and Assignment Procedures and (E) Scheduling a Sale Hearing and Approving the Form and Manner of Notice Thereof; (II)(A) Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims, Interests and Encumbrances and (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Granting Related Relief* (the "Motion").[2] If called upon to testify, I could and would testify competently to the facts set forth herein.

[2] Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Motion.

QUALIFICATIONS

5. I am a Managing Director for Stifel. Stifel is a wholly-owned subsidiary of Stifel Financial Corp., a full-service independent investment banking firm that engages in mergers and acquisitions, capital raising, and restructuring advice across a broad range of industries. Stifel and its senior professionals have extensive experience with respect to the reorganization and restructuring of distressed companies, both out-of-court and in chapter 11 proceedings.

6. I have experience handling complex financial and other restructuring matters for a variety of companies (distressed or otherwise and both in- and out-of-court) across a wide spectrum of industries. My areas of expertise include, among other things, (a) capital raising and advisory work for mergers and acquisitions and (b) conducting sale processes both in- and out-of-court for companies undergoing financial distress. My experience has included involvement in many section 363 sale processes in the chapter 11 cases, or similar situations, of the following companies, among others, and includes a variety of roles: *In re Tuesday Morning Corp.*, No. 20-31476 (Bankr. D. Del. May 27, 2020) (representing the debtors); *In re Gymboree Corporation*, No. 17-32986 (Bankr. E.D. Va. June 16, 2017) (same); *In re Caesars Entertainment Op. Co.*, No. 15-01145 (Bankr. N.D. Ill. Jan. 15, 2015) (representing a creditor); *In re Station Casinos, Inc.*, No. 09-52477 (Bankr. D. Nev. July 28, 2009) (same).

7. I have been employed by Stifel since 2012. I joined Stifel in connection with its acquisition of Miller Buckfire, where I was a Director. Prior to joining Miller Buckfire, I was a Vice President at Morgan Stanley. Prior to that, I was an associate at Monitor Clipper Partners, where I completed a number of principal investing transactions. I began my career as an analyst at Donaldson, Lufkin & Jenrette. I graduated with a B.A., magna cum laude, from Harvard College.

STIFEL'S ENGAGEMENT

8. The Debtors initially engaged Stifel to perform a strategic alternatives business review in October 2019, with a mandate that included, at the Company's determination, advice and assistance with the planning, execution, and closing of one or more sales. Specifically, this included exploring the unsolicited offers, as well as initiating and coordinating discussions with potential purchasers and/or participating in the negotiation of possible transactions and advising the Company as to negotiating strategy and other matters in connection therewith.

9. In February 2021, the Company expanded the scope of the process to services related to any financing or restructuring transaction, including, without limitation, identifying potential investors for any equity, equity-linked or debt securities, and any other financing opportunities. In conjunction therewith, the Company expanded Stifel's mandate to include general advice and assistance in structuring and effecting one or more sale transactions.

10. During the lead up to the Debtors' chapter 11 cases, Stifel acquired significant knowledge of the Debtors' business, including their financial affairs, debt structure, business operations, capital structure, key stakeholders, financing documents, and related matters. In connection with its prepetition engagement, Stifel, among other things, evaluated potential strategic alternatives, which included coordinating discussions with potential purchasers and/or participating in the negotiation of possible transactions and advising the Debtors as to negotiating strategy and other matters in connection therewith. In this role, Stifel has, among other things, (a) evaluated and negotiated restructuring proposals, (b) discussed potential restructuring solutions, (c) solicited third party strategic combinations, (d) solicited interest for the purchase of some or all of the Debtors' assets (the "Assets"), (e) led the Debtors' marketing process, and (f) assisted the Debtors in negotiating bid procedures and their stalking horse purchase agreements.

Throughout this process, Stifel has worked closely with the Debtors' management and other restructuring professionals. I, along with the rest of Stifel's engagement team, participated directly in discussions, due diligence, and negotiations alongside the Debtors' management, outside counsel, and other advisors.

THE PREPETITION MARKETING AND SALE PROCESS

11. Following Stifel's retention on October 7, 2019, Stifel performed a strategic alternatives business review with a mandate that included, at the Debtors' determination, advice and assistance with the planning, execution, and closing of one or more sales. This specifically included initiating and coordinating discussions with potential purchasers and/or participating in the negotiation of possible transactions and advising the Debtors as to negotiating strategy and other matters in connection therewith. Stifel began its evaluation of the Company and presented a strategic alternatives business review to the Debtors' board of directors (the "Board of Directors") on October 28, 2019 as part of a regularly scheduled meeting. In November 2019, the Board of Directors determined to prepare for a sale of the Debtors' Assets.

12. From November 2019 to February 2020, Stifel worked with the Debtors to create marketing materials and a virtual data room for the marketing and sale of the Debtors' Assets. In addition, we engaged in discussions with three selected high-priority parties, prior to the launch of the formal sales and marketing process, who showed a high degree of initial interest in certain material assets. These parties were each granted access to the virtual data room and conducted diligence on these brands but, ultimately, in light of the circumstances and the Debtors' desire to launch a broader marketing process, the Company did not pursue a transaction with any of these parties at that time.

13. In early March of 2020, Stifel launched a broader sale process. This included a wide ranging marketing outreach, with 93 parties contacted, teaser marketing

information shared, and approximately 30 parties entering NDAs to conduct further diligence or remain involved in the process. This marketing process, however, was occurring against the backdrop of the COVID-19 pandemic which was further contributing to the Debtors' decline in performance and revenue.

14. Stifel continued to market the Debtors' Assets over the spring and summer of 2020 and, in addition, undertook multiple processes to identify and engage with potential strategic parties for a value-maximizing business combination transaction. This included significant engagement with a possible transaction counterparty over the course of early 2020, as well as the Company's submission of multiple non-binding letters of intent to purchase and/or combine with another significant industry party in the late summer and early fall of 2020.

15. In late 2020 and early 2021, Stifel contacted 168 parties with respect to a sale of some or all of the Debtors' Assets, with over 135 parties receiving teasers, resulting in 47 parties entering into NDAs and receiving a full confidential information memorandum and process letter. At the same time, the Debtors' advisors were also seeking alternative strategic transactions, including engaging in discussions with certain strategic parties regarding mergers or other business combination transactions.

16. In February 2021, Miller Buckfire[3] began to provide additional services related to any financing or restructuring transaction for the Debtors, including, without limitation, identifying potential investors for any equity, equity-linked or debt securities, and any other financing opportunities. Miller Buckfire contacted 12 financial parties regarding potential transaction structures; seven of these parties executed NDAs and received materials. Reception was limited overall and only one proposal for an upsized first lien facility was received, with

[3] Both Miller Buckfire and Stifel are wholly-owned subsidiaries of Stifel Financial Corp.

another party expressing some in a similar structure. Miller Buckfire resolicited the interest of these parties, as well as an additional institution, in April 2021 with updated information (including 2020 financial results) but none of the parties revised their interest or approach to the opportunity.

17. Miller Buckfire re-launched the financing process in late May 2021, approaching 34 potential financing parties, two of which were involved in the Company's other strategic process at the time and five of which could be potential co-investors in a financing, if one were to be proposed and led by another institution. Miller Buckfire contacted the remaining 27 parties that could potentially serve as a lead source of financing, resulting in the execution of eight additional NDAs. These eight parties, along with four parties from the prior financing process, received updated marketing materials, a multi-year financial forecast and access to a dataroom. Reception during this process remained limited. The Debtors received only one preliminary financing proposal, subject to diligence, which was insufficient to fully refinance the Term B Lenders. Because the preliminary financing proposal would not have fully refinanced the obligations under the Wilmington Credit Agreement it would not sufficiently address the outstanding events of default thereunder. As the Term B Lenders would not consent to a partial repayment, this rendered the preliminary financing proposal non-actionable from the Company's perspective.

THE STALKING HORSE BIDS

18. In late January 2021, the Debtors received a letter of intent from Gainline Galaxy Holdings LLC ("Galaxy") and its subsidiary, Galaxy Universal LLC ("Galaxy Universal"), to purchase the Debtors' Active Division Assets for $270 million. After Stifel engaged with Galaxy further, Galaxy and the Term B Lenders were able to agree on general terms for the Term B Lenders to provide financing to Galaxy. Ultimately, with Term B Lender financing included in

the proposal, Galaxy increased its purchase price for the Active Division Assets from $270 million to $333 million.

19. On April 28, 2021, the Debtors entered into a letter of intent with Galaxy to purchase the Active Division Assets for total consideration of $333 million (subject to certain adjustments, including related to the purchase of certain related accounts receivable). On August 31, 2021, the Debtors entered into the Galaxy APA which provides for a purchase price that consists of prior to any adjustments under the Galaxy APA, (i) $55.5 million in cash, (ii) $227.5 million in debt financing (funded by the Term B Lenders), and (iii) $50.0 million in the form of equity in Galaxy.

20. On July 23, 2021, the Debtors entered into a letter of intent with Centric Brands, L.P. ("Centric") for the Joe's Jeans brand. On August 31, 2021, the Debtors entered into the Centric APA which provides for a purchase price of (i) $38.25 million payable upon closing of the transaction and (ii) the Earnout Payments.

21. On September 15, 2021, the Debtors received an unsolicited asset purchase agreement from a third party (the "Third Party APA") which provided for a purchase price of $45.0 million in cash for the Joe's Jeans brand with no breakup fee. The Debtors shared the Third Party APA with Centric on September 15, 2021 pursuant to the terms of the Centric APA. On September 22, 2021, Centric ultimately matched the Third Party APA purchase price of $45.0 million in cash with no breakup fee and the Board of Directors determined to pursue the Centric APA with Centric as the stalking horse bidder.

22. I believe that the Stalking Horse Bids each provide the best alternative to maximize value for stakeholders related to their applicable Assets. The Debtors' entry into the Stalking Horse Agreements permits the Debtors to conduct a value-maximizing sale process that

is backstopped by the proposed Stalking Horse Bids. The Debtors' ultimate consummation of the Stalking Horse Agreements is subject, in each case, to higher or otherwise better offers (in whole or a combination of bids) that the Debtors may receive for the Assets pursuant to the Bidding Procedures. I believe there is a strong business justification for the Debtors' entry into each of the Stalking Horse Agreements. I believe the presence of each of the Stalking Horse Bidders will set a floor for the value of the Assets and attract other potential buyers to bid for such assets, thereby maximizing the realizable value of the Assets for the benefit of the Debtors' estates, their creditors, and all other parties in interest.

23. Furthermore, the Stalking Horse Agreements are premised upon the Debtors and Stifel running a postpetition marketing process that allows for the discovery of any bid or combination of bids that might result in value for the Debtors' estates in excess of that provided by the Stalking Horse Bids. The terms of the Stalking Horse Agreements allow the Debtors to run such a process to discover if any such bid or combination of bids exists. Thus, I believe that the Stalking Horse Agreements are fair and reasonable and reflects market terms for this type of transaction.

THE BIDDING PROCEDURES

24. I believe the Bidding Procedures provide an appropriate framework for the Debtors to review, analyze and compare bids for the Assets and to engage with bidders on an arm's length basis to work to improve the quality of their bids for the benefit of all parties in interest. I believe the Bidding Procedures were carefully designed to facilitate a robust and competitive bidding process with significant flexibility. If approved, I believe the Bidding Procedures will allow the Debtors to solicit and identify bids from potential buyers that constitute the highest or

best offer for the Assets on a schedule consistent with the Milestones and the Debtors' chapter 11 strategy.

25. I believe the timeline negotiated with the Stalking Horse Bidders is appropriate and balances the Debtors' need to run a complete sale process with an efficient timeframe to avoid creating undue risk of loss and unnecessary administrative expense. I believe that conducting the sale, marketing, and public auction process within the time periods set forth in the Bidding Procedures is reasonable and will provide parties with sufficient time and information necessary to formulate and submit bids to purchase the Assets.

26. I believe completion of the sale process in a timely manner will also maximize the value of the Debtors' Assets. The proposed dates governing the sale, marketing, and auction process are within the Milestones required under the Stalking Horse Agreements and the RSA. Failure to adhere to the Milestones could compromise the Debtors' chapter 11 strategy.

STALKING HORSE BID PROTECTIONS

27. Based on my communications with the Debtors' legal advisors and the advisors to each of the Stalking Horse Bidders during the negotiation of the Stalking Horse Purchase Agreements, I understand the Galaxy Termination Payment and the Centric Expense Reimbursement were integral to Galaxy's and Centric's respective participation in their Sale Transactions and that neither Galaxy nor Centric was willing to proceed as the Stalking Horse Bidder without such bid protections.

28. I believe the Galaxy Termination Fee equal to $12,154,500 (3.65% of the Galaxy purchase price) and the Centric Expense Reimbursement of up to $200,000 are reasonable and appropriate in light of the nature of the transaction and other precedent transactions. The

Stalking Horse Protections were the result of good faith, arm's length negotiations between the Debtors, the Stalking Horse Bidders, and the Term B Lenders.

29. Based on the foregoing, the facts and circumstances of these Chapter 11 Cases, and the events leading up to the commencement thereof, I believe that the Galaxy Termination Fee and the Centric Expense Reimbursement are (a) a necessary inducement for the Stalking Horse Bidders to enter into their respective Stalking Horse Purchase Agreements, (b) commensurate with the value and benefits conferred upon the Debtors' estates by the Stalking Horse Bidders, and (c) reasonable and appropriate in light of the nature of the proposed sale transactions, the commitments made, and the efforts that have been and will be expended by the Stalking Horse Bidders. To date, the Stalking Horse Bids each constitute the highest or otherwise best offer received for the applicable Assets.

30. I believe that approval of the Stalking Horse Bids and the proposed Bidding Procedures Order, including the Galaxy Termination Fee and the Centric Expense Reimbursement, are in the best interest of, and provide a benefit to, the Debtors' estates, and that there is a strong business justification for the Debtors' decision to seek such approval.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed on September 23, 2021

By: */s/ Derek Herbert*
Name: Derek Herbert
Title: Managing Director,
Stifel, Nicolaus & Co., Inc.