UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
BROWARD DIVISION

_____x

In re:

BARON'S STORES, INC.

Debtor.

Case No. 97-25645-BKC-PGH
Chapter 11

_____x

FIRST AMENDED JOINT DISCLOSURE STATEMENT OF DEBTOR AND COMMITTEE

Baron's Stores, Inc., the Debtor herein (the "Debtor") and the Official Committee of Unsecured Creditors (the "Committee") of Baron's Stores, Inc. jointly submit this First Amended Disclosure Statement in the above-captioned Chapter 11 case.

I. Introduction

On September 9, 1997 (the "Petition Date"), the Debtor filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. The case was assigned to Bankruptcy Judge Paul G. Hyman, Jr.

On September 26, 1997, the Office of the U.S. Trustee appointed the Committee consisting of Alan Stuart, Inc., Eisenberg International, Cantoni ITC USA, Inc., Trans-Apparel Group and Peerless Clothing International, Inc. Alan Stuart subsequently resigned from the Committee.

On July 13, 1998, the Debtor and the Committee filed a Joint Plan of Liquidation (the "Plan") and a disclosure statement describing it. An amended copy of the Plan is annexed hereto as Exhibit "A". The Plan has been developed based upon thorough review and analysis of the Debtor's financial condition and rehabilitation alternatives. The Debtor and the Committee have concluded that the Plan provides the greatest possible recovery to creditors under the circumstances of this case. The recovery to unsecured creditors is estimated to be in a range from 22 to 26%. ACCORDINGLY, THE DEBTOR AND THE COMMITTEE RECOMMEND THAT ALL HOLDERS OF CLASS 4 UNSECURED CLAIMS VOTE TO ACCEPT THE PLAN.

II. Purpose of Disclosure Statement and Procedure for Plan Confirmation

A. Purpose of Disclosure Statement.

The Debtor and the Committee are providing this Disclosure Statement pursuant to Section 1125 of the United States Bankruptcy Code, 11 U.S.C. §101 et seq. (the "Bankruptcy Code"). A disclosure statement is intended to provide creditors with information of a kind, and 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, that would enable a typical creditor or holder of claims or interests to make an informed judgment about whether to vote to accept or reject the Plan. This Disclosure Statement has been approved by the Bankruptcy Court as to form only before i distribution to creditors. The Bankruptcy Court's approval as to form, however, does not constitute its approval of the Plan on the merits.

B. Source of Information.

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtor, its business and the Plan have been prepared from information obtained from the bankruptcy schedules and other documents provided by the Debtor or discovered from third parties. Financial information has been provided by the Debtor, and not by any outside certified public accounting firm. Financial data has been compiled using ordinarily accepted accounting principles, based upon unaudited information derived from the Debtor's records.

NO REPRESENTATIONS ABOUT THE DEBTOR, OR THE VALUE OF ITS PROPERTY, ARE AUTHORIZED BY THE DEBTOR OR THE COMMITTEE OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY ANY CREDITOR OR INTEREST HOLDER. ANY SUCH ADDITIONAL REPRESENTATION OR INDUCEMENT SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, COUNSEL TO THE COMMITTEE OR TO THE UNITED STATES TRUSTEE WHO, IN TURN, SHALL TRANSMIT THE INFORMATION TO THE BANKRUPTCY COURT OR TAKE OTHER APPROPRIATE ACTION.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECTED TO A CERTIFIED AUDIT. BECAUSE OF THE FOREGOING REASON AND THE IMPOSSIBILITY OF MAKING ASSUMPTIONS, ESTIMATES AND PROJECTIONS INTO THE FUTURE WITH ABSOLUTE ACCURACY, THE DEBTOR AND THE COMMITTEE ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS COMPLETE AND ACCURATE, ALTHOUGH REASONABLE

EFFORTS HAVE BEEN MADE TO PRESENT COMPLETE AND ACCURATE INFORMATION. THE RECORDS KEPT BY THE DEBTOR RELY FOR THEIR ACCURACY ON INTERNAL BOOKKEEPING. THE RECORDS KEPT BY THE DEBTOR ARE NOT WARRANTED OR REPRESENTED TO BE FREE OF ANY INACCURACY. HOWEVER, EVERY REASONABLE EFFORT HAS BEEN MADE TO PRESENT ACCURATE INFORMATION. COUNSEL TO THE DEBTOR AND THE COMMITTEE HAVE NOT INDEPENDENTLY VERIFIED ANY OF THE INFORMATION PROVIDED BY THE DEBTOR AND DO NOT MAKE ANY REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE TRUTH OR ACCURACY OF ANY OF THE INFORMATION PRESENTED.

ALL PARTIES ENTITLED TO VOTE ON THE PLAN ARE URGED TO REVIEW IN FULL THE PLAN AND THE DISCLOSURE STATEMENT, TOGETHER WITH ALL EXHIBITS ATTACHED THERETO, PRIOR TO VOTING ON THE PLAN, AND MAY DESIRE TO CONSULT LEGAL COUNSEL PRIOR TO VOTING TO ENSURE COMPLETE UNDERSTANDING OF THEIR TREATMENT UNDER THE PLAN. THIS DISCLOSURE STATEMENT IS INTENDED FOR THE SOLE USE OF CREDITORS AND INTEREST HOLDERS OF THE DEBTOR TO ENABLE THEM TO MAKE AN INFORMED DECISION ABOUT THE PLAN.

C. Hearing on Confirmation of the Plan

The Bankruptcy Court has set a hearing to determine if the Plan has been accepted by the required number of holders of Claims and Interests and if other requirements for confirmation of the Plan outlined in the Bankruptcy Code have been satisfied. The hearing on confirmation of the Plan has been set for _____, 1998

in the United States Bankruptcy Court for the Southern District of Florida, located at 299 East Broward Boulevard, Room 308, Fort Lauderdale, Florida 33301.

To determine whether the Plan has been accepted by the requisite number of creditors and whether the other requirements for confirmation of the Plan have been satisfied, each creditor and party-in-interest will receive, either with this Disclosure Statement or separately, the Bankruptcy Court's Notice of Hearing on confirmation of the Plan, which will inform all interested parties of the time and place of hearing and the date by which any objections to the Plan must be filed.

D. Manner of Voting

All creditors entitled to vote on the Plan may cast their vote for or against the Plan by completing, dating and signing the Ballot for Accepting or Rejecting Plan (the "Ballot") accompanying this Disclosure Statement and filing it with the Bankruptcy Court. Such filing may be accomplished by mailing the Ballot to the Clerk of the Bankruptcy Court, 299 East Broward Boulevard, Fort Lauderdale, Florida 33301. In order to be counted, all Ballots must be filed prior to _____ o'clock p.m. on _____, 1998.

In determining acceptance of the Plan, votes will be counted only if submitted by creditors whose claims are scheduled by the Debtor as undisputed, non-contingent and liquidated, or who have filed with the Bankruptcy Court a proof of claim which has not been disallowed, disqualified or suspended prior to computation of the vote on the Plan. Creditors whose claims are scheduled by the Debtor as disputed, contingent or unliquidated may seek temporary allowance of such claim for purposes of voting on the

proposed Plan by sending written notice to counsel for the Debtor and the Committee. The Ballot which accompanies this Disclosure Statement does not constitute a proof of claim. If you are uncertain whether your claim has been correctly scheduled, you should check the Debtor's schedules which are on file with, and may be inspected at Room 310 of the Bankruptcy Court at the above listed address.

III. The Debtor

A. Brief History and Description.

The Debtor operated a chain of men's apparel stores located in South Florida which specialized in medium to high-priced suits, sportswear, clothing and accessories.

The Debtor's affiliate Lanson's, Inc. was also a Florida corporation which operated a chain of retail clothing stores. In 1983, Lanson's, Inc. acquired a chain of clothing stores operating under the name of "Baron's". Effective August 1, 1987 Lanson's, Inc. divided its business into two separate corporations. All assets and liabilities relating to the operation of the Lanson's stores were transferred to Lanson's Stores, Inc. and all assets and liabilities relating to operations of the Baron's stores were transferred to the Debtor.

99% of the Debtor's stock is owned by its president, Norman Lanson. The remaining 1% of the Debtor's stock is owned by Mr. Lanson's wife, Meryl Lanson.

B. Background and Reasons for Bankruptcy

The Debtor enjoyed financial success through approximately the middle of 1993, at which time it began to experience operating losses and a lack of liquidity based on

embezzlement of substantial funds by a former employee. Prior to the Petition Date the Debtor hired special litigation counsel to pursue the claims against the former employee and the accounting firm which represented the Debtor at the time the funds were embezzled. A judgment was obtained against the former employee, which judgment was levied upon and the proceeds of two homes and a bank account were provided to the Debtor prior to the Petition Date. The accounting firm was insured. The proceeds of the settlement with the accounting firm's insurance company, which is more particularly described in Section III(E) hereof, resulted in a payment of $2.4 million to the estate. During the fiscal year ended September 30, 1995, the Debtor suffered a loss of $396,179 on revenues of $13,853,027. The Debtor suffered a further loss of $244,424 for the fiscal year ended September 30, 1996 on revenues of $12,916,472.

This negative trend continued to spiral during the period leading up to the Debtor's Chapter 11 filing. For the 39 weeks ended June 26, 1997, the Debtor suffered a loss of $539,606. During the subsequent 13-week period ended September 27, 1997, the Debtor suffered an estimated loss of $460,545 before bankruptcy-related adjustments. Due to its operating losses, the Debtor was forced to close 10 stores during the year prior to September 9, 1997 (the "Petition Date"). Accordingly, the Debtor was operating just nine stores at the time of the Petition Date.

As a result of the Debtor's seriously weakened financial condition, it was forced to file its Chapter 11 petition on September 9, 1997. The filing was precipitated by three major factors. First, the Debtor's secured line of credit extended by BankAtlantic was expiring and the Debtor was not able to negotiate a further extension. Second, the

Debtor was not able to negotiate a lease on acceptable terms at its most profitable and largest store located at Dadeland Mall. Third, the Debtor was unable to successfully resolve an ongoing lawsuit which it had brought in Florida State Court against its former accounting firm, Morrison, Brown. Argiz & Co., P.A. ("Morrison") (see Section III(E) below).

C. Operations in Chapter 11

Unfortunately, the Debtor's performance continued to deteriorate during the course of this proceeding. On a comparative store basis, the Debtor experienced dramatically declining sales during each month of the period from October 1997 to March 1998 as compared to the prior year as set forth below:

(a) -41% in October, 1997 as compared to October, 1996;

(b) -33% in November, 1997 as compared to November, 1996;

(c) -27% in December, 1997 as compared to December, 1996;

(d) -20% in January, 1998 as compared to January, 1997;

(e) -22% in February, 1998 as compared to February, 1997;

(f) -12% in March, 1998 as compared to March, 1997.

While the Debtor was able to enter into a post-petition financing agreement with BankAtlantic which provided an additional $400,000 in financing, such financing was inadequate to reorganize the Debtor's operations, particularly in light of its continuing post-petition operating losses and declining sales. Accordingly, the Debtor and the

Committee jointly determined that in order to maximize the value of the estate, the Debtor should entertain bids for the purchase of substantially all of its assets.

D. Sale of Substantially All of the Debtor's Assets

On April 22, 1998, the Debtor and the Committee filed a joint motion (the "Joint Sale Motion") for authority to conduct an auction (the "Auction") (i) to retain an agent to liquidate the Debtor's inventory or, alternatively, (ii) to sell substantially all of the Debtor's assets. On April 27, 1998 a preliminary hearing on the Joint Sale Motion was held and the Bankruptcy Court issued a preliminary order authorizing the Auction and bidding procedures, among other things.

On April 27, 1998, the Auction was held at the offices of the Debtor's counsel. The Debtor and the Committee determined that the highest and best offer was an offer from B.A.R. Acquisition Corporation ("BAC"), a corporation controlled by the same principal as Alan Stuart, Inc. Alan Stuart, Inc. was the chairperson of the Committee until the company resigned from the Committee the week prior to the Auction. BAC agreed to purchase the Debtor's assets, including: (i) inventory, (ii) furniture, fixtures and equipment, (iii) leases, (iv) executory contracts to the extent BAC assumes them and (v) the tradename and goodwill associated therewith (collectively, the "Assets") for 28% of the value of the inventory.

On April 30, 1998, the Bankruptcy Court approved the sale of the Assets to BAC in accordance with an asset purchase agreement agreed to among BAC, the Debtor and the Committee (the "Contract") as the highest and best offer. Based upon the terms of

the Contract, and a physical inventory completed on May 5, 1998, the purchase price for the Assets was calculated in the amount of $883,769.33 (the "Purchase Price").

On May 11, 1998, the Debtor and BAC closed the sale of the Assets. The Purchase Price, as adjusted pursuant to the Contract, was payable (i) $100,000 prior to the closing and (ii) $782,517.79 pursuant to the terms of a note (the "Note").

The Note is due and payable as follows:

One Hundred Thousand ($100,000.00) on May 15, 1998;

One Hundred Thousand ($100,000.00) on June 25, 1998;

One Hundred Thousand ($100,000.00) on July 25, 1998;

One Hundred Thousand ($100,000.00) on August 25, 1998;

Two Hundred Fifty Thousand Dollars ($250,000.00) on December 26, 1998;

One Hundred Thousand Dollars ($100,000.00) on February 15, 1999; and

The entire unpaid principal balance, together with all other sums owed to the payee thereunder on April 25, 1999.

The payments due on May 15, June 25 July 25 and August 25 have been received by the Debtor. From these proceeds the Debtor paid the cure amounts due to the landlords in the amount of approximately $100,000.00. The balance of the proceeds were invested by the Debtor's counsel in an escrow account and various treasury bills held in escrow by the Debtor's counsel.

BAC's obligations under the Note and the Contract are secured by a first priority lien on all BAC's now owned and after acquired inventory. Additionally, BAC must provide monthly reports regarding the current value of its inventory, which monthly

reports BAC has sent on a timely basis. To the extent a monthly report is deficient and shows that 28% of the retail value of the current inventory is less than the remaining principal balance due on the Note, BAC must post a letter of credit (the "LC") in an amount equal to 50% of the remaining balance due under the Note. The retail value of BAC's inventory as of July 31, 1998 was approximately $3.2 million. Based upon a liquidation value of 28%, on July 31, 1998 the estate had collateral worth $896,000 securing the remaining balance of the Note in the amount of $482,517.79. The retail value of BAC's inventory is now in excess of 3.2 million and the remaining balance of the Note as of August 31, 1998 is $382,517.79.

THERE IS A RISK THAT BAC WILL DEFAULT UNDER THE NOTE OR FAIL TO POST THE LC IF SO REQUIRED. THE DISTRIBUTION TO UNSECURED CREDITORS IS DEPENDENT IN LARGE PART UPON THE PAYMENTS UNDER THE NOTE OR, IN THE ALTERNATIVE, THE LIQUIDATION VALUE OF BAC'S INVENTORY. IF BAC DEFAULTS UNDER THE NOTE AND BAC'S INVENTORY IS LIQUIDATED TO SATISFY BAC'S OBLIGATIONS, THE RECOVERY TO UNSECURED CREDITORS COULD BE DIMINISHED.

If BAC defaults under the Note or fails to post the LC if so required, the Debtor has various remedies under the security agreement between the Debtor and BAC, including, without limitation, conducting, in its sole discretion, going-out-of-business, store closing or inventory liquidation sales. The liquidation value of BAC's inventory as of July 31, 1998 was in excess of $900,000.00.

E. Settlement of Debtor's State Court Action Against Morrison

On or about November 17, 1995, the Debtor filed a civil action (the "Morrison Litigation") entitled Baron's Stores, Inc. v. Morrison, Brown, Argiz & Company, P.A., a Florida professional association, Albert Morrison, Jr., Antonio L. Argiz and Manuel Rodriguez, Jr., Case No. 95-22509 in the Circuit Court of the 11th Judicial Circuit in and for Dade County, Florida. The Morrison Litigation asserted that Morrison negligently failed to detect that the Debtor's former chief financial officer and comptroller, David Peterson, embezzled hundreds of thousands of dollars annually from the Debtor resulting in a loss exceeding $2.5 million, not including interest or consequential damages.

Following extensive negotiations, the Debtor and Morrison entered into a settlement agreement (the "Settlement Agreement") resolving the Morrison Litigation via the payment of $2.4 million. On May 18, 1998, the Court entered an order (the "May 18th Order") approving the Settlement Agreement and providing that payment of the $2.4 million be made to the trust account of the Debtor's counsel by Morrison within 30 days of the May 18th Order, $750,000 of which was payable to the Debtor's attorneys who handled the Morrison Litigation. On July 1, 1998 the Debtor's counsel received the check from Morrison in the amount of $2.4 million and thereafter paid $750,000.00 to the special litigation counsel who handled the Morrison litigation pursuant to the May 18th Order and approximately $950,000.00 to BankAtlantic, the Debtor's secured lender, in full satisfaction of its lien. The balance of approximately $700,000.00 was invested in treasury bills being held by the Debtor's counsel in contemplation of distribution.

IV. Summary of the Plan

A. Classification and Treatment of Claims and Interests

The Plan provides for distribution of the net proceeds of the liquidation of the Debtor's property pursuant to the priorities of the Bankruptcy Code.

(a) **Class 1 Claims**. Class 1 consists of all Allowed Administrative Expenses. Class 1 Claims are estimated to be approximately $765,000 including:

Post-petition payables:	$281,000.00[1]
Lanson Payment:	$195,000.00[2]
Professional Fees:	$254,000.00[3]
Severance:	$25,000.00
Miscellaneous Winddown Expenses:	$10,000.00

(b) **Class 2 Claims**. Class 2 consists of all Allowed Claims against the Debtor entitled to priority pursuant to Section 507(a) of the Bankruptcy Code. Class 2 Claims are estimated to be approximately $16,000. The only holder of a Class 2 claim is the Florida Department of Revenue for sales tax and that claim is disputed.

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[1] This amount includes trade payables and a provision for disputed landlord claims, discounted to estimate a range of settlements.

[2] To the extent this amount is allowed without offset, $53,000.00 in cash, the 1995 Mercedes valued a $22,000.00 and back-up to guaranties of up to $120,000.00, as more particularly described in section V.2 hereof.

[3]

Malnik & Salkin, P.A., Debtor's Counsel:	est'd $110,000.00
Kronish, Lieb, Weiner & Hellman, Committee's Counsel:	est'd $110,000.00
Ernst & Young, Committee's Accountants:	est'd $ 34,000.00

(c) **Class 3 Claims**. Class 3 consists of all Allowed Secured Claims against the Debtor held by BankAtlantic. Class 3 Claims were approximately $950,000.00 and have been paid in full from the proceeds of the Morrison Litigation.

(d) **Class 4 Claims.** Class 4 consists of all Allowed Unsecured Claims against the Debtor. Class 4 Claims are estimated to be approximately $3 million.

(e) **Class 5 Equity Interests.** Class 5 consists of the Equity Interests of Norman Lanson and Meryl Lanson.

B. Treatment of Claims and Interests

(a) **Class 1 Allowed Administrative Expenses**. The Debtor shall pay all Allowed Administrative Expenses in full, in Cash on the date such Administrative Expenses become allowed, except to the extent that the holder of an Allowed Administrative Expense agrees to different treatment. Class 1 is unimpaired.

(b) **Class 2 Allowed Priority Claims.** All Allowed Priority Claims shall be paid in full, in Cash on the Effective Date, except to the extent that the holder of an Allowed Priority Claim agrees to different treatment. Class 2 is unimpaired.

(c) **Class 3 Allowed Secured Claims of BankAtlantic.** All Secured Claims of BankAtlantic were paid in full, in Cash from proceeds of the settlement of the Morrison Litigation. Class 3 is unimpaired.

(d) **Class 4 Allowed Unsecured Claims.** To the extent of the remaining Available Cash after satisfaction of all Class 1, Class 2, and Class 3 Claims, the holders of allowed Class 4 Claims shall be paid, in Cash, on a pro rata basis. Payment shall be

made as soon as practicable and in all events the Disbursing Agent shall make an initial distribution within 30 days of Confirmation of the Plan of 30% of the estimated distribution to the holders of allowed Class 4 Claims and a final distribution to the holders of allowed Class 4 Claims on or about May 31, 1999, provided that the final payment on the Note is made on or before April 25, 1998 as provided in the Note. It is estimated that the Cash available to distribute to Class 4 will be between $600,000.00 and $700,000.00, $200,000.00 of which will be available at Confirmation and that the ultimate distribution to the holders of allowed Class 4 Claims shall be in a range from 22 to 26%. Attached as Exhibit "B" is a calculation of the recovery to the holders of Class 4 Unsecured Claims. Class 4 is impaired.

(e) **Class 5 Equity Interests.** No holder of a Class 5 Equity Interest shall receive any payment or retain any property on account of such Class 5 Equity interest, and all presently issued and outstanding shares of capital stock of the Debtor shall be cancelled as of the Effective Date. Class 5 is impaired.

V. Treatment of Debtor's Principals

The Debtor's principals, Norman Lanson and Meryl Lanson, (collectively, the "Lansons") shall receive the treatment set forth in Article V of the Plan as described below:

1. **Allowance of Claims.** The shareholder loans of Meryl Lanson set forth on the Schedules in the sum of $160,000.00 and shareholder loans of Norman Lanson set forth on the Schedules in the sum of $60,000.00 shall be allowed as Class 4 Unsecured

Claims. The Debtor and the Committee have confirmed that these shareholder loans were used as necessary working capital for the Debtor and were used solely for business purposes, specifically for payment of the improvements at four new stores located at St. Petersburg, Lake Buena Vista, Boynton Beach and Westland Malls.

2. **Compensation**. On the Effective Date, the Lansons shall receive the following aggregate compensation as a Class 1 Allowed Administrative Expense, to the extent such claim is approved by the Bankruptcy Court on or before Confirmation.

(a) A consulting fee of $75,000.00 (the "Consulting Fee") to assist in the sale of the assets of the Debtor; and

(b) The lesser of $40,000.00 or Norman Lanson's exposure on his guaranties to certain utility companies minus the distribution made under the Plan to certain utility companies; and

(c) The lesser of $80,000.00 or Norman Lanson's exposure on his guaranties with respect to the equipment leases minus the distribution made pursuant to the Plan to Colonial Pacific Leasing, the equipment lessor; and

(d) A portion of the Consulting Fee shall be paid with property of the estate, rather than cash. Title to a 1995 Mercedes, which is currently in the name of the Debtor (the "Mercedes"), shall be transferred to the Lansons, subject to the existing loan. The Debtor obtained an appraisal for the Mercedes which valued the car at $27,000.00. The outstanding loan on the Mercedes when the Debtor stopped making the payments in April, 1998 was approximately $8,000.00. The Lansons have made the loan payments since May, 1998 in the amount of approximately $5,000.00 and have had the use of the

car. Approximately, $3,000.00 remains outstanding on the loan. If the Bankruptcy Court approves this compensation, the Consulting Fee would be reduced from $75,000.00 to $53,000.00 and title to the Mercedes would be transferred to the Lansons subject to the outstanding loan.

This compensation, which the Debtor and the Committee estimate may be valued up to $195,000, may be deemed an Administrative Expense by the Bankruptcy Court in order to compensate the Debtor's principals for their time, effort and cooperation in assisting with the liquidation of the Debtor's assets and the winddown of the Debtor's business. Due to the dramatic decline in the Debtor's sales in the last quarter of 1997, the Committee met with the Debtor to discuss liquidating the Assets. The Committee was convinced that it was in the best interest of creditors to stop the substantial losses and liquidate the Debtor's assets as quickly as possible. The Committee's goal was to maximize value for creditors and to avoid a liquidation of men's suits in South Florida, at the worst time of the year, July and August. In order to avoid protracted and expensive litigation with the Debtor and to obtain the Debtor's cooperation in liquidating its assets as quickly as possible, the Committee negotiated a settlement with the Lansons.

The Committee felt strongly that the value of its assets could only be maximized if litigation was avoided and the assets were liquidated as quickly as possible with the Debtor's cooperation. In order to provide an incentive for the Lansons to cooperate in the liquidation of the assets and the winddown of the Debtor's business, the Committee agreed to support the Lansons' claim for an Administrative Expense as described above

and in Article V of the Plan in an amount not to exceed $195,000. The Committee's agreement to support the Lansons' claim was the result of arms length negotiations. The Committee believes that this compensation to the Lansons is in the best interest of the creditors because the Committee's agreement to support this settlement expedited the liquidation, allowing the assets to be sold without incurring additional devastating losses, while avoiding a complete diminution in the value of the Debtor's assets.

During the Chapter 11 proceeding, Norman Lanson received a salary as president of the Debtor. On the Petition Date Norman Lanson's salary was $4,000.00 per week. On January 1, 1998, Norman Lanson reduced his salary 40% to $2,400.00 per week until the sale of substantially all of the Debtor's assets on May 11, 1998. Norman Lanson has not received any salary since May 11, 1998.

VI. Funding of the Plan and Distribution

After the Effective Date, the Cash necessary to make the payments as provided by the Plan shall consist primarily of what has been and will be generated from the liquidation of all property of the Debtor, including the proceeds of the settlement of the Morrison Litigation and the proceeds due under the Note. The proceeds of the Morrison Litigation payments have been collected and the net proceeds were invested by counsel for the Debtor and are being held in escrow pending distribution. The proceeds of the sale of the Assets to BAC have been collected through the August 25, 1998 payment and the net proceeds were invested by counsel for the Debtor and are being held in escrow pending distribution. The balance of the proceeds are due and payable in accordance with the terms of the Note through April 25, 1999. The only other remaining assets of

the estate which need to be liquidated or collected are (i) the remaining payments pursuant to the Note in the approximate amount of $383,000.00, (ii) an annuity in the name of the Debtor with an approximate value of $50,000.00 (the "Annuity"), which is currently being held by Bank Atlantic. The Debtor will liquidate the Annuity on or before September 18, 1998.

VII. Executory Contracts and Unexpired Leases

All executory contracts and unexpired leases not previously assumed and assigned have been rejected, however, in an abundance of caution, all executory contracts and unexpired leases not previously assumed shall be deemed rejected pursuant to the provisions of Section 365 of the Bankruptcy Code as of the Confirmation Date. The estimate of $3 million of all Allowed Unsecured Claims against the Debtor includes estimated rejection damage claims for the executory contracts and unexpired leases that have been or would be rejected, which estimated rejection claims have been discounted for mitigation and other defenses.

Objections to Claims and Interests shall be filed with the Bankruptcy Court by either (a) the Debtor upon the review of the Committee and approval or (b) by the Committee (provided that the Debtor shall not be required to obtain the Committee's prior approval to reasonable objections of claims to be filed against members of the Committee) and served upon each holder of such Claims and Interests to which objection is made as soon as practicable, but no later than 20 days prior to Confirmation Date. The failure by the Debtor or the Committee to object to or to re-examine any Claims and Interests shall not be deemed to be a waiver of the right to object or to re-

examine such Claims and Interests in whole or in part to determine its allowability for payment. Neither the Debtor nor the Committee shall be required to object to any Claims or Interests where no purpose would be served.

VIII. Continuation of Committee

The prepetition Committee shall terminate on the Confirmation Date and shall be reconstituted as a post-Confirmation creditors' committee to monitor distributions, the collection of proceeds under the Note and consummation of the Plan. The post-Confirmation creditors' committee shall not be supervised by the Bankruptcy Court or the Office of the United States Trustee. Fees and expenses incurred by Kronish, Lieb, Weiner & Hellman LLP, or Schantz, Schatzman, Aaronson & Perlman, P.A., in their capacities as counsel to the post-Confirmation creditors' committee in an amount not to exceed $15,000.00 in the aggregate, may be paid without further application to the Bankruptcy Court upon submission of monthly invoices to the Debtor's counsel, Malnik & Salkin, P.A If Malnik & Salkin, P.A. does not object to any individual invoice in writing within 15 days of the date of such invoice, the Disbursing Agent shall pay the requested fees and expenses to the requesting professional. If an objection is interposed and not resolved then the requesting professional may make a motion to the Bankruptcy Court seeking approval of its fees and expenses.

IX. Post Confirmation Management

After the Effective Date, the Debtor will no longer operate.

X. Financial Information

The Debtor has filed Statements of Financial Affairs and Schedules of Assets Liabilities with the Bankruptcy Court as required by the Bankruptcy Code. As debtor-in-possession, the Debtor has filed monthly operating statements with the Bankruptcy Court. This financial information has not been included in this Disclosure Statement because it contains no relevant information as to the nature and value of the remaining assets and claims that is not provided in this Disclosure Statement, however the financial information may be examined in the Office of the Clerk of the United States Bankruptcy Court in Fort Lauderdale, Florida.

Subsequent to the filing of the Plan and Disclosure Statement, the Debtor advised the Committee that holders of certain claims that were scheduled as "unliquidated", but had a specific claim amount listed in the Schedules failed to file claims prior to the bar date. The Committee reviewed the Schedules and noted that 90% of the claims in excess of $1,000 were either disputed or unliquidated. In each instance, with respect to the unliquidated claims a claim amount was listed on the Schedules. The holders of the three largest unliquidated claims for which proofs of claim did not appear on the claims register prior to the bar date, promptly refiled their claims.[4]

The Committee has requested the Debtor to amend its Schedules to reflect the amount of each claim in the amount reflected in the Debtor's reconciled books and records. If the Debtor does not amend its Schedules on or before September 18, 1998, the Committee will bring a motion prior to the Confirmation Date to allow these claims. If these claims were allowed the anticipated distribution to the holders of allowed Class

[4] All three claimants were members or past members of the Committee.

4 Unsecured Claims would be 22% to 26%. If these claims were disallowed in full, the distribution to the remaining holders of Class 3 Unsecured Claims would increase.

XI. Acceptance and Confirmation

A. Generally

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are the Plan is (i) accepted by all impaired classes of Claims and Interests or, if rejected by an impaired class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible, and (iii) in the "best interests" of creditors and holders of interests impaired under the plan.

B. Acceptance

In order for the Plan to be accepted by any class, it must be accepted by creditors who hold at least two-thirds in dollar amount of the claims in such class as to which votes are case, and who comprise more than one-half of the voting creditors holding claims in such class. Creditors whose claims are not impaired by the Plan may not vote, as they are conclusively presumed, pursuant to the Bankruptcy Code, to have accepted the Plan. Because the Plan does not impair holders of Class 1,2 and 3 Claims, acceptances will not be solicited from those holders of those claims.

Since the Plan provides that the holders of Class 5 Equity Interests are not entitled to receive or retain any property under the Plan on account of such Interests unless and until Class 4 creditors have been paid in full, which in this case is not anticipated to occur, Class 5 is impaired and is deemed to have not accepted the Plan in accordance

with Section 1126(g) of the Bankruptcy Code. Acceptances will not, therefore, be solicited from the holders of Class 5 Equity Interests.

Because Class 5 is deemed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code, if Class 4 accepts the Plan, the Debtor and the Committee will seek confirmation of the Plan in accordance with Section 1129(b) of the Bankruptcy Code notwithstanding the deemed rejection by Class 5. To obtain such confirmation, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each dissenting class. Section 1129(a)(10) provides that confirmation of a Plan cannot occur unless at least one class that is impaired under the Plan votes to accept such Plan. Since Class 4 is the only impaired class which is entitled to vote on the Plan, confirmation of the Plan cannot take place unless Class 4 accepts the Plan.

C. Feasibility

As a condition to confirmation of the Plan, Section 1129(a)(ii) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation of the Debtor, unless such liquidation is proposed in the plan. As the Plan proposes the Debtor's liquidation, the Debtor and the Committee believe that the Plan meets this "feasibility" requirement and the Debtor will be able to make all payments required to be made pursuant to the Plan.

D. "Best Interests" Test

Confirmation of the Plan also requires that each claimant either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date of the

Plan, that is not less than the value of such claimant would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

To determine what creditors and holders of equity interests would receive if the Debtor was liquidated under Chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in the context of a Chapter 7 liquidation case. The Debtor and Committee estimate that a liquidation of its inventory and other assets in Chapter 7 would have resulted in a price substantially below the value obtained in the sale to B.A.R. Acquisition Corporation. Moreover, if such sale had been delayed, the Debtor would likely have experienced further operating losses, thus eroding the value of the assets which were sold.

Further, liquidation under Chapter 7 of the Bankruptcy Code requires the appointment of a trustee to administer the estate immediately upon conversion of the case. Such trustee is entitled to a fee and normally would be expected to retain professionals to assist him or her. A chart showing the impact on creditors if this case were liquidated under Chapter 7 is attached as Exhibit "C".

Accordingly, the Debtor and the Committee believe that the sale of the Debtor's assets in Chapter 11 generated significantly greater proceeds than if the liquidation had occurred in Chapter 7 because it has maximized the value of the estate and eliminated the additional layer of fees which would normally accompany the appointment of a Chapter 7 trustee.

As a result, the Debtor and the Committee believe that comparing the value of the distributions available through a forced sale under a Chapter 7 liquidation to the

value obtainable under the Plan satisfies the "best interests of creditors" requirement of Section 1129(a)(7) of the Bankruptcy Code. In the instant case, the Plan provides for a distribution to creditors which is not less than the amount the creditors would receive under Chapter 7.

E. Income Tax Consequences

The confirmation and execution of the Plan may have tax consequences to holders of Claims and Interests. The Debtor and the Committee do not offer an opinion as to any federal, state, local or other tax consequences to holders of Claims and interest as a result of the confirmation of the Plan. ALL HOLDERS OF CLAIMS AND INTERESTS ARE

URGED TO CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN. THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS LEGAL OR TAX ADVICE TO ANY CREDITOR.

Conclusion and Recommendation

The Debtor and the Committee urge all Class 4 Allowed Unsecured Claims to vote to accept the Plan because it will provide an opportunity for creditors to receive a greater distribution than they would receive in a liquidation under Chapter 7 of the Bankruptcy Code.

Dated: ~~August~~ Sept. 9, 1998
Fort Lauderdale, Florida

BARON'S STORES, INC.

By: Norman Lanson
Norman Lanson
President

Dated: ~~August~~ Sept. 3, 1998
New York, New York

OFFICIAL UNSECURED CREDITORS COMMITTEE OF BARON'S STORES, INC.

By: Sanford Glanzrock
Sanford Glanzrock
Committee Member

Presented by:

MALNIK & SALKIN, P.A.
Counsel for Debtor-In-Possession
1776 N. Pine Island Road, Suite 16
Plantation, FL 33322
Telephone: (954) 423-4469
Facsimile: (954) 423-4479

By: _____
Sonya L. Salkin, Esq.
Fla. Bar No. 604910

KRONISH, LIEB, WEINER & HELLMAN LLP
Counsel for the Official Unsecured
Creditors Committee
1114 Avenue of the Americas
New York, NY 10036-7798
Telephone: (212) 479-6000
Facsimile: (212) 479-6275

By: _____
Lawrence C. Gottlieb, Esq.
Cathy Hershcopf, Esq.
Eric Haber, Esq.

SCHANTZ, SCHATZMAN, AARONSON & PERLMAN, P.A.
Local Counsel for the Official Unsecured
Creditors Committee
First Union Financial Center
200 South Biscayne Boulevard
Suite 1050
Miami, FL 33131-2394
Telephone: (305) 371-3100

MALNIK & SALKIN, P.A.
1776 N. Pine Island Road
Suite 216
Plantation, FL 33322

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Meryl Lanson
7501 W Cypresshead Dr.
Parkland, FL 33067

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