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 SCOTT D. LEVIN IN SUPPORT OF FIRST-DAY PLEADINGS

I, Scott D. Levin, hereby declare under penalty of perjury:

1. I am the President, Chief Executive Officer, and Secretary of FTD Companies, Inc., one of the debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors"). I have held my positions as President and Chief Executive Officer since November 2018 and my position as Secretary since November 2013. Prior to assuming my current positions as President and Chief Executive Officer, I served as Interim President and Chief Executive Officer (from July 2018 to November 2018) and Executive Vice President and General Counsel (from September 2013 until November 2018). As part of my employment and service in these capacities, I am generally familiar with the Debtors' history, day-to-day operations, business and financial affairs, and books and records, as well as the Debtors' restructuring efforts.

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[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.

2. On the date hereof (the "Petition Date"), each of the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). To minimize the adverse effects of filing for chapter 11 protection while at the same time preserving value for the benefit of their stakeholders, and concurrently with the filing of this declaration (this "Declaration"), the Debtors have filed a number of pleadings requesting various forms of "first day" relief (collectively, the "First Day Pleadings").

3. The First Day Pleadings are intended to enable the Debtors to operate effectively and efficiently within these chapter 11 cases, as well as to avoid certain adverse consequences that might otherwise result from the commencement thereof. Among other things, the First Day Pleadings seek relief aimed at maintaining: (a) the loyalty of the Debtors' Florist Network Members (as defined herein) and other customers; (b) the confidence of the Debtors' other stakeholders, including the Debtors' vendors; and (c) the morale of the Debtors' employees. Gaining and retaining the support of these key constituencies is critical to the Debtors' efforts to maximize the value of their estates for all parties-in-interest.

4. I have reviewed each of the First Day Pleadings (including the exhibits and other attachments thereto) and it is my belief that the relief sought therein: (a) is necessary for the Debtors to effectuate a smooth transition into chapter 11 bankruptcy; (b) is necessary to avoid immediate and irreparable harm to, and ensure the uninterrupted operation of, the Debtors' businesses; and (c) will preserve and maximize the value of the Debtors' chapter 11 estates.

5. I submit this Declaration in support of: (a) the 15 Debtors' petitions for relief under chapter 11 of the Bankruptcy Code; and (b) the First Day Pleadings. Except as otherwise indicated, all statements set forth in this Declaration are based upon: (a) my personal knowledge; (b) information supplied to me by other members of the Debtors' management or the

Debtors' professionals that I believe in good faith to be reliable; (c) my review of relevant documents; and/or (d) my opinion based upon my experience and knowledge of the Debtors' operations and financial condition. If called upon to testify, I could and would testify to the facts set forth in this Declaration. I am authorized by the Debtors to submit this Declaration.

6. This Declaration is divided into five parts. Part I of this Declaration provides a summary overview of the Debtors' history and operations. Part II provides a description of the Debtors' corporate and capital structures. Part III provides a discussion of the events that compelled the commencement of these chapter 11 cases. Part IV sets forth the Debtors' plan for these cases. Part V affirms and incorporates the facts that support the relief requested in the First Day Pleadings.

PART I

The Debtors' History and Operations

A. Overview

7. Tracing their origins back over 100 years, the Debtors[2] are a premier floral and gifting company with an international presence providing floral, specialty foods, 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 operate primarily in the United States and Canada; however, they have a worldwide presence as their iconic Mercury Man® logo is displayed in over 30,000 floral shops in more than 125 countries. While the "Mercury Man" is one of the most recognized logos in the world, the Debtors' diversified portfolio of

[2] As appropriate, the term "FTD" is used in this Declaration to reference the Debtors and their former affiliates: FTD UK Holdings Limited (UK); Interflora Holdings Limited (UK); Interflora Investments Limited (UK); Interflora Group Limited (UK); Interflora British Unit (UK); I.S. Group Limited (UK); (collectively, "Interflora") as they historically have existed. As further described herein, on May 31, 2019, the Debtors effectuated a sale of Interflora, as such, the Interflora entities are not Debtors in these chapter 11 cases.

brands also includes ProFlowers®, Shari's Berries®, Personal Creations®, Gifts.com™, and ProPlants®. In addition to floral arrangements and plants, which are the Debtors' primary offerings, the Debtors also market and sell gift items, including gourmet dipped berries and other specialty foods, personalized gifts, gift baskets, and other gifting products. The bedrock of the Debtors' business is their vast global network of retail florists.

B. A History of Innovation and Growth to Meet the Market

8. Originally called "Florists' Telegraph Delivery Association," FTD was the world's first flowers-by-wire service and has been a leader in the floral and gifting industry for over a century. The Debtors' story began in 1910 when thirteen American retail florists agreed to exchange orders for out-of-town deliveries by telegraph, thereby eliminating prohibitively lengthy transit times that made sending flowers to friends and relatives in distant locations almost impossible. The idea revolutionized the industry, and soon independent florists all over America were telegraphing and telephoning orders to each other using the FTD network.
In 1914, FTD adopted the Roman messenger god as its logo and, in 1929, copyrighted the Mercury Man® logo as the official trademark for FTD.

9. Through the course of their history, the Debtors' predecessors continued to innovate and extend the geographic reach of the florist and distribution network to meet the needs of the domestic and global markets. In response to the success of the network in America, in 1923, a British unit of FTD was formed. In 1924, the FTD clearinghouse became the first non-profit international banking operation in commercial history. In 1946, FTD, the FTD British unit, and Europe's floral clearinghouse Fleurop established International Telegraph Florists to sell flowers-by-wire around the world. In the 1950s, the group adopted the name "Interflora," which has become one of the most recognized brands in the U.K. and the Republic of Ireland. In 1965, FTD expanded to include international transactions and rebranded as "Florists' Transworld

Delivery" to reflect its growing worldwide presence. In 1979, FTD officially launched an electronic system to link florists together called the "Mercury Network." At the forefront of the e-commerce revolution, www.FTD.com launched in 1994.

10. For the majority of its existence, FTD operated as a not-for-profit organization run by its member florists. With the florists as its core, the Debtors' legacy business provided a powerful mix of a "local," authentic, and bespoke product, broad geographic range, and a commitment to exacting standards of quality and service. Moreover, the Debtors historically were devoted to creating an optimal product for their florist network, including through investment in innovation and technology and marketing the FTD brand and the floral industry overall. As a result, florists sought out FTD membership, and the FTD brand had (and still has) significant caché in the industry.

11. In 1994, Perry Capital Corporation acquired FTD from the florists and converted FTD into a for-profit corporation.[3] Since that time, FTD has undergone a series of transitions and ownership changes including the 2013 spin-off of FTD Companies, Inc. from United Online Inc. (the "2013 Spin-Off") – through which FTD became an independent, publicly traded company[4] – and, most recently, the Interflora Sale (as defined herein).

12. As it evolved, FTD maintained and pursued its vision to be the world's floral innovator and leader through strategic acquisitions. In 2006, FTD acquired Interflora, substantially consolidating domestic and global operations into a single corporate enterprise. On December 31, 2014, FTD acquired Debtor Provide Commerce LLC ("Provide Commerce" and the "Provide Acquisition," respectively) and, through the Provide Acquisition, the

[3] In 2005, the Interflora trade association converted to for-profit status in connection with an acquisition by 3i Group plc.

[4] United Online Inc. had acquired then-public FTD in 2008 and took the company private.

ProFlowers, Gourmet Foods, and Personal Creations business units (collectively, the "Provide Business Units"). The Provide Acquisition was the largest acquisition in FTD's history with a purchase price consisting of (a) cash consideration of approximately $145 million and a post-closing working capital adjustment of $9.9 million and (b) 10.2 million shares of FTD Companies, Inc. common stock. To finance the cash portion of the Provide Acquisition purchase price, FTD borrowed $120 million under the Amended and Restated Credit Agreement (as described below).

13. FTD entered into the Provide Acquisition with the belief that it would further FTD's vision by uniting complementary businesses – i.e., (a) FTD's florist network business-to-business ("B2B") model, complemented by FTD.com's (as defined herein) direct-to-consumer ("B2C") model, and (b) Provide Commerce's B2C model – to offer customers a greater variety of floral and gifting products and choices. FTD also anticipated the Provide Acquisition would diversify its revenue streams and broaden its consumer demographics through the combination of FTD's and Provide Commerce's complementary businesses and customer bases, with opportunities for cross-selling brands. Further, FTD anticipated that the Provide Acquisition would generate significant cost synergies through efficiencies in combined operations.

14. Though the Provide Business Units have increased the Debtors' revenue (the Provide Business Units currently contribute more than 50% of the Debtors' total revenue), as further described in Part III below, certain shifts in the market, technological changes, and improvident strategic outcomes in connection with the implementation of the Provide Acquisition combined to (a) frustrate expectations regarding the earnings of the combined entity

and (b) impair the Debtors' ability to refinance near-term maturities, which has driven the Debtors' need to commence these chapter 11 cases.

C. The Debtors' Workforce

15. As of the Petition Date, the Debtors had approximately 872 full and part-time, hourly and salaried core employees in North America (the "Core Employees"). None of the Debtors' Core Employees are subject to collective bargaining agreements. In addition to their Core Employees, the Debtors utilize the services of temporary employees such as independent contractors and seasonal employees. In particular, to manage the peaks of their businesses around major holidays, the Debtors hire on a temporary basis, directly and through third-party agencies, thousands of additional contract laborers to work in their distribution centers and hundreds of additional call center employees.

D. Business Models

16. The Debtors' businesses are based on their scalable and complementary B2B and B2C business models. The B2B business links the Debtors' vast network of retail florists and provides them with the goods, services, and products necessary to serve end customers. The B2C business offers consumers direct access to a wide selection of creative, high-quality floral and gifting products through the Debtors' websites, associated mobile sites and applications, and telephone ordering options. Together, the B2B and B2C models allow the Debtors to operate in multiple segments within the approximately $100 billion U.S. "Expressions of Sentiment" industry.

E. Business Segments

17. Prior to the Interflora Sale, FTD's businesses operated within three primary segments: "Florist," "U.S. Consumer," and "International." Following the Interflora Sale, however, the Debtors comprise solely the Florist and U.S. Consumer business segments.[5]

18. Florist. The Florist segment comprises the Debtors' legacy B2B business which, in exchange for membership and other fees, offers the Debtors' vast network of florist customer members (the "Florist Network Members," and collectively, the "Florist Member Network") 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) clearinghouse and order transmission services, enabling Florist Network Members to send, receive, and deliver floral and gift orders; (c) directory publication services covering the Florist Member Network; (d) credit card processing services; (e) e-commerce website services and online advertising tools; and (f) system support services.

19. In addition, the Debtors provide point-of-sale systems and related technology services that enable Florist Network Members to transmit and receive orders, enhance customer relationships, and manage back-office functions (e.g., accounting, customer relationship management, direct marketing campaigns, delivery route management, and event planning). Finally, the Florist segment also sells products to Florist Network Members,

5 FTD's former International segment was comprised of Interflora (and the Flying Flowers® brand), the leading floral and gifting brand in the U.K. and Ireland. Similar to the Debtors, Interflora (a) operates through various websites, associated mobile sites and applications, and various telephone numbers; (b) offers florist network members (i) access to the Interflora brand and the Mercury Man® logo, (ii) services to enable members to send, receive, and deliver floral and gift orders, and (iii) e-commerce website services; and (c) sells fresh-cut flowers, gift products, and floral-related supplies to the florist network and other companies in need of floral and gifting solutions. In 2018, the International segment generated approximately $151.1 million in revenue, or 14.9% of FTD's total revenue.

including fresh-cut flowers, branded and non-branded containers, packaging, marketing products, and a wide variety of other floral-related supplies.

20. Approximately 70% of Florist segment revenue derives from the provision of services to Florist Network Members, while 30% derives from the sale of products to such customers. In 2018, the Florist segment generated approximately $150.3 million in revenue, constituting 17.1% of the Debtors' total revenue. Nevertheless, the Florist segment generated the vast majority of the Debtors' profitability. For example, in 2018, the Florist segment generated approximately $42.7 million in operating income to offset U.S. Consumer segment operating losses of approximately $4.6 million. Moreover, the Florist segment consistently achieves a segment operating margin of nearly 30%. In contrast, the U.S. Consumer segment operating margin has decreased annually from approximately 9% in 2016 to (-1%) in 2018.

21. U.S. Consumer. The U.S. Consumer segment operates in the B2C market and is comprised of FTD.com and the Provide Business Units.

(a) FTD.com

22. Debtor FTD.COM Inc. holds the FTD.com business segment ("FTD.com"), which is the consumer-facing business for the Debtors' FTD brand. FTD.com operates primarily in the U.S. through its website, www.ftd.com, associated mobile sites and applications, and the 1-800-SEND-FTD telephone number. FTD.com primarily offers floral products delivered through the Florist Member Network. However, FTD.com also markets and sells other U.S. Consumer segment products, such as plants and gift items, including gourmet-dipped berries and other specialty foods, gift baskets, and spa products.

23. The vast majority of FTD.com consumer orders are fulfilled by Florist Network Members from their own inventory and hand delivered by Florist Network Members to consumers, with the Debtors taking a fee for facilitating the transaction. The remaining

consumer orders are fulfilled and shipped directly to the recipient through the Debtors' company-operated distribution network or by third-party drop-ship suppliers. FTD.com has a negative working capital model, as consumers generally pay the Debtors before payment is required to be made to Florist Network Members or other third-party vendors.

(b) Provide Commerce

24. The Provide Commerce business consists of the Provide Business Units and brands: (a) ProFlowers (including ProPlants); (b) Gourmet Foods (including Shari's Berries), and (c) Personal Creations (including Gifts.com). Through its business units, Provide Commerce offers a variety of floral and gift options to consumers, including fresh-cut flowers and plants (ProFlowers), gourmet-dipped berries and other specialty foods (Gourmet Foods), and personalized gifts (Personal Creations). Provide Commerce operates primarily through the www.proflowers.com, www.berries.com, www.personalcreations.com, www.gifts.com, and www.proplants.com websites, associated mobile sites and applications, and various telephone numbers. The overwhelming majority of consumer orders for Provide Commerce are fulfilled and shipped directly to the recipient through the Debtors' company-operated distribution network, with remaining orders fulfilled and shipped by third-party drop-ship suppliers.

25. In 2018, the U.S. Consumer segment generated approximately $727.9 million in revenue, constituting over 80% of the Debtors' total revenue. By business unit, the U.S. Consumer segment produced the following amounts of revenue in 2018: approximately (a) $227.2 million from FTD.com, (b) $240.8 million from ProFlowers, (c) $133.6 million from Gourmet Foods, and (d) $126.3 million from Personal Creations. However, as noted above, the U.S. Consumer segment experienced aggregate segment operating losses of approximately $4.6 million.

F. Seasonality

26. Due to the nature of their businesses – especially the B2C businesses – the Debtors' revenues and profits typically exhibit seasonality. For example, revenues and profits tend to be lower for the third quarter because none of the most popular floral and gift-giving holidays – which include Valentine's Day, Easter, Mother's Day, Thanksgiving, and Christmas – fall within that quarter.

27. The ProFlowers and Gourmet Foods businesses experience the greatest level of seasonality. Historically, these businesses have generated a significant portion of their revenues and operating profit in the first half of the year, but have generated operating losses and used cash for operations during the third quarter. The Personal Creations business is also highly seasonal, generating approximately half of its revenue and substantially all of its operating profit in the fourth quarter during the winter holiday season.

G. Infrastructure for B2C Businesses

28. To fulfill consumer orders for their B2C businesses, the Debtors apply a multi-pronged, scalable supply chain model. In addition to their corporate offices in Illinois and California, the Debtors have designated call centers in California, Connecticut, and Illinois to field consumer orders and provide customer service. The Debtors' North American supply chain includes (a) nearly 10,000 Florist Network Members, (b) a company-operated, "cold-chain" supply network featuring 11 temperature-controlled distribution centers (the "Distribution Centers") across 10 states,[6] and (c) various third-party drop-ship suppliers. In aggregate, the Florist Network Members provide same-day delivery coverage to approximately 90% of the

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[6] The Distribution Centers are located in Phoenix, AZ; Lincoln, CA; Rancho Cucamonga, CA; Aurora, CO; Doral, FL; Woodridge, IL; Richmond, IN; Charlotte, NC; Cranbury, NJ; Memphis, TN; and Garland, TX.

U.S. population. The Distribution Centers are strategically located near key, high-volume markets and maximize the use of ground delivery such that, during peak demand periods, approximately 92% of the U.S. population is covered by one-day ground shipping. Shari's Berries shares five of the Debtors' 11 Distribution Centers.[7] Each of the Shari's Berries Distribution Centers has an in-house platform for manufacturing and delivery to process and ship products directly to consumers. The Woodridge, IL Distribution Center also houses production and fulfillment for Personal Creations.

H. Key Strategic Partnerships

29. In addition to targeted marketing strategies to promote their businesses, the Debtors have long-established strategic partnerships with many leading customer organizations. Through these partnerships, partner customers receive access to discounted floral and gifting options while earning points or rewards with each purchase. The partnerships enhance the Debtors' brand awareness and customer loyalty and generate customer orders. Certain of the Debtors' significant customer partners include: USAA, Batesville, American Airlines, Delta Airlines, United Airlines, and Commission Junction.

PART II

Corporate and Capital Structures of the Debtors

A. Corporate Structure

30. Debtor FTD Companies, Inc., a Delaware corporation, is the direct or indirect parent of the other 14 Debtors. The Debtors' corporate headquarters are located in Downers Grove, Illinois, and the Debtors are incorporated or otherwise formed in California,

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7 The Distribution Centers shared by Shari's Berries are located in Lincoln, CA; Woodridge, IL; Charlotte, NC; Cranbury, NJ; and Garland, TX.

Delaware, Florida, and Michigan. A corporate organization chart depicting the ownership structure of the Debtors and their non-Debtor affiliates is attached as Exhibit A.

31. As a result of the 2013 Spin-Off, FTD Companies, Inc. is an independent, publicly-traded company. As of May 31, 2019, there were 28,322,635 shares of FTD Companies, Inc. common stock outstanding. FTD Companies, Inc. common stock is listed on the NASDAQ Global Select Market under the symbol "FTD."

B. Prepetition Capital Structure

32. As of the Petition Date, the Debtors' primary liabilities consisted of: (a) outstanding amounts under the Debtors' secured Credit Facility (as defined herein) and (b) unsecured trade debt. These liabilities are described in more detail below.

33. Credit Facility. Certain of the Debtors are party to the Credit Agreement, dated as of July 17, 2013 (as amended, supplemented, or otherwise modified, the "Amended and Restated Credit Agreement"), among Debtor FTD Companies, Inc. and Interflora British Unit,[8] as borrowers (the "Borrowers"), certain wholly-owned domestic subsidiaries of FTD Companies, Inc., as guarantors (the "Guarantors"), the financial institutions from time to time party thereto as lenders, and Bank of America, N.A., as administrative agent for the lenders. The Debtor entities that are Guarantors under the Credit Agreement are as follows: Florists' Transworld Delivery, Inc.; FTD Group, Inc.; FTD, Inc.; FTD.CA, Inc.; FTD.COM Inc.; Provide Commerce; Provide Cards, Inc.; Provide Creations, Inc.; Giftco, LLC; and FTD Mobile, Inc. (f/k/a Sincerely Incorporated). Obligations under the Amended and Restated Credit Agreement are secured by a lien on substantially all of the assets of the Guarantors and FTD Companies, Inc., including a

8 In connection with the Interflora Sale, Interflora British Unit was released from its obligations under the Amended and Restated Credit Agreement.

pledge of 100% of the issued and outstanding capital stock of certain subsidiaries of FTD Companies, Inc. that are directly owned by the Guarantors.

34. The Amended and Restated Credit Agreement initially provided for three facilities (collectively, the "Credit Facility"): (a) a $200 million term loan (the "Term Loan Facility"); (b) a revolving credit facility with initial availability of $250 million (the "Revolving A Facility"); and (c) a revolving credit facility with initial availability of $100 million (the "Revolving B Facility" and, together with the Revolving A Facility, the "Revolving Credit Facility"). All obligations under the Credit Facility are due at maturity on September 19, 2019.

35. Applicable interest rates under both the Term Loan Facility and Revolving Credit Facility are calculated using either (a) the base rate, based upon the highest of (i) the federal funds rate, (ii) the administrative agent's prime rate, or (iii) the eurocurrency rate, or (b) the eurocurrency rate, based upon LIBOR, in each case plus a margin calculated according to FTD Companies Inc.'s consolidated net leverage ratio. From and after October 31, 2018, such margin has been 5.50% for loans based on the eurocurrency rate and 4.50% for loans based on the base rate.

36. Amendments to the Amended and Restated Credit Agreement have, among other things: (a) reduced the lenders' commitments under the Revolving A Facility and Revolving B Facility to $150 million and $25 million, respectively; and (b) further restricted combined usage under the Revolving Credit Facility to amounts ranging from $60 million to $170 million based on the Debtors' expected borrowing needs.

37. As of the Petition Date, the Debtors had approximately $149.4 million in secured indebtedness outstanding under the Credit Facility, consisting of $57.4 million under the Term Loan Facility, and $92 million under the Revolving Credit Facility.

38. Unsecured Trade Debt. In the ordinary course of their businesses, the Debtors historically have purchased goods and services from numerous vendors. These vendors include, among others, suppliers of (a) perishable and non-perishable inventory, (b) commercial common carrier services, (c) various marketing and technology services, and (d) third-party drop-ship services for the Debtors' enterprise. The Debtors rely on an extensive network of domestic and international suppliers for their inventory needs, which include both perishable inventory (e.g., flowers and berries) and non-perishable inventory (e.g., branded and non-branded containers and customized packaging).[9] The Provide Business Units rely heavily on shipping services to fulfill consumer orders and, generally, the Debtors depend upon substantial marketing, technology, and other services to operate their businesses, promote their brands, drive sales, and meet the needs of their customers.

39. As of the Petition Date, the Debtors estimate that they owe approximately $72.4 million for unsecured obligations for goods and services.

PART III

Events Leading to the Commencement of These Cases

A. The Strength of the FTD Brand and the Florist Member Network

40. Today, the FTD brand and Florist Member Network remain unmatched by any traditional or new competitors in the ability to provide same-day, hand-delivered floral bouquets. Moreover, with no real inventory risk in the asset-light B2B business model, the Debtors' legacy florist business has generated steady returns through high margin revenue streams from florist membership and services. Since before the Provide Acquisition, including

9 For example, the Debtors source flowers from Colombia, Costa Rica, Ecuador, Holland, Kenya, Thailand, and the United States. The Debtors' strawberries largely are sourced from the United States and Mexico. The Debtors source certain hard goods from vendors in Asia.

in 2018, the Florist segment consistently has achieved segment operating margins of nearly 30%. From 2013-2017, the Florist segment generated average annual revenue of approximately $165 million and average annual operating income of approximately $47 million.

41. Despite the legacy B2B business' consistent performance, a focus on near-term profitability and pullback of investment in areas such as quality controls, marketing, and technology over a number of years led to insufficient focus on the customer experience, decreased brand awareness, and customer base depletion. As further described below, the legacy business has not always evolved to match the market and consumer landscape. This became manifest after the Provide Acquisition, as year-over-year Florist segment revenues and operating income began to decrease, first, by 1% and 4%, respectively, between 2016 and 2017, and then by 9% and 8%, respectively, between 2017 and 2018. By 2017, however, the Debtors were constrained in their ability to fully address the incremental needs of the legacy florist business due to adverse outcomes related to the Provide Acquisition.

B. The Strategy Behind the Provide Acquisition

42. The Provide Acquisition was designed to complement and enhance FTD's existing businesses, ultimately driving greater profitability. FTD approached the Provide Acquisition with the investment thesis that a combined company would broaden its customer base and extend and diversify its product offerings and capabilities. FTD predicted that the Provide Acquisition — particularly the acquisition of ProFlowers — would result in a number of synergies, principally across the floral businesses.

43. ProFlowers had entered the floral industry as a disruptor by reimagining floral delivery to consumers. Unlike the Debtors' "asset-light" B2B business model, ProFlowers took ownership of the floral inventory and fulfilled orders directly through a company-operated supply chain. By sourcing finished bouquets directly from farms, limiting product selection,

pricing strategically into the consumer demand curve, and leveraging analytically-driven direct response marketing to generate large volumes at peak periods (i.e., Valentine's Day and Mother's Day), ProFlowers appealed to a broad market of consumers who wanted an efficient order process coupled with lower cost purchases. Shari's Berries operated off of a similar model, leveraging direct marketing techniques to drive significant order volumes for dipped strawberries and other gourmet foods during the two primary peak periods.

44. In addition to these potential opportunities, FTD also viewed the Provide Acquisition as the means to strategically position itself for success within a changing industry. At the time of the Provide Acquisition, the disruptive impact of ProFlowers was perceived as a threat to traditional business models within the floral industry (and to the Florist Member Network specifically). FTD was concerned that, if it failed to adapt and embrace shifting industry paradigms, competitors would take advantage and acquire ProFlowers to FTD's detriment. Accordingly, FTD effected the Provide Acquisition.

C. The Proposed Benefits of the Provide Acquisition Failed to Materialize.

45. Though the Debtors did realize certain synergies following the Provide Acquisition, such as certain reduced marketing costs, the integration of the Provide Business Units into the legacy businesses never materialized, resulting in the Debtors running essentially independent, rather than integrated, businesses. In particular, a number of key post-acquisition targets, such as (a) floral brand alignment, (b) necessary technological investments in the combined business (e.g., the consolidation of technology/ecommerce platforms), and (c) the integration of marketing and business teams, have lagged. As a result, both the Provide Commerce and the Debtors' legacy brands suffered from internal friction and suboptimal structures within the Debtors' enterprise. ProFlowers was further hampered by a loss of critical institutional knowledge and key analytic capabilities due to post-acquisition employee attrition.

All of the foregoing served to erode the customer experience within the ProFlowers system, negatively impacting the Debtors' enterprise.

D. The Shifting Consumer Landscape and Competitive Market Dynamics Increased Pressure on the Debtors.

46. While the Debtors struggled to unify their businesses and implement the Provide Acquisition, the floral industry – and consumer expectations – continued to evolve. Following the example set by ProFlowers, other companies began to deliver farm-sourced fresh bouquets directly to customers, increasing competition in the B2C space. In addition, the expanding influence of e-commerce platforms like Amazon transformed customer expectations, particularly with respect to ease of experience and the fast, free delivery of goods. Given the perishable and delicate nature of the product, delivery and service fees were standard in the floral industry. As e-commerce companies trained consumers to expect free or nominal cost delivery, floral service fees became anathema to many customers.

47. A number of other market factors put additional pressure on the Debtors, including, among other things, increased shipping and online marketing costs, low barriers to entry for other direct-to-consumer businesses, and the growing presence of grocers and mass merchants providing low-cost floral products and chocolate-dipped strawberries during peak holidays. Collectively, market pressures contributed to declining sales and decreased order volumes, impairing the B2C businesses' ability to leverage and capitalize on scale. Specifically, between 2015 and 2016, aggregate U.S. Consumer segment revenue decreased by nearly $84 million (9%), while order volume decreased by approximately the same percentage. The portion of the revenue decline attributable to Provide Business Units largely was due to a 17% decline in ProFlowers' revenue.

48. To combat waning performance, FTD brought in a new leadership team and embarked on a turnaround strategy to increase investment in its businesses and restore the broader FTD enterprise to health. In 2017, FTD engaged in a rigorous process to identify challenges impeding their businesses and to establish a strategy to reinvent the customer experience, re-establish florist partnerships at the core of the business, and optimize efficiencies for order fulfillment. To support these outcomes, the turnaround strategy called for significant investment in capabilities, technology, and capital expenditures over a three-year period (e.g., FTD's capital expenditures on a consolidated basis more than doubled from approximately $15.1 million in 2017 to approximately $33.8 million in 2018).

E. Continued Underperformance Led to Tightened Liquidity.

49. Despite the Debtors' efforts to implement their turnaround strategy, the Provide Acquisition and the necessary resulting turnaround strategy had placed too much financial stress on the Debtors' enterprise. As set forth above, to fund the Provide Acquisition, FTD had taken on approximately $200 million in secured debt under the Amended and Restated Credit Agreement. At the time of the acquisition, limited reinvestment in the company and relatively steady cash flows allowed the Debtors to operate comfortably under the terms of the Credit Facility, despite certain relatively narrow financial covenants. By 2017, however, that was no longer the case. Deteriorating operational performance severely impaired the company's profitability and, in April 2018, FTD filed their 2017 10-K including a going concern qualification (a default under the Amended and Restated Credit Agreement).

50. Further, on a consolidated basis, the Debtors materially underperformed projections during the 2018 Valentine's Day peak, and residual order decline extended through Mother's Day and the rest of 2018. The underperformance was driven, in part, by ineffective marketing followed by a poor consumer response, which required significant discounting and

dumping of inventory, particularly in the U.S. Consumer segment. Overall, U.S. Consumer segment order volume decreased 5% from 2017 to 2018, and average order value decreased 3% over that time. In the aggregate, U.S. Consumer segment revenue decreased by $61.1 million (8%), and operating income decreased by $51 million (110%) between 2017 and 2018.

51. While the Debtors had hoped to independently refinance the outstanding debt under the Credit Facility, the 2018 Valentine's Day holiday period underperformance contributed directly to a breach of the consolidated net leverage ratio covenant under the Credit Facility. As a result, on March 30, 2018, FTD entered into a forbearance agreement and Credit Facility amendment with its lenders. However, due to limited momentum gained under the expensive turnaround strategy and declining operational performance, the Debtors were unable to adhere to the Credit Facility's financial covenants. Ultimately, FTD and its secured lenders entered into nine amendments to the Credit Facility between 2018 and 2019. While the various amendments bought the Debtors runway to attempt to right size their businesses and review strategic alternatives, they also had the effect of imposing further borrowing restrictions which, in turn, tightened the Debtors' liquidity and placed additional pressure on the Debtors' businesses.

F. FTD Engaged in Significant Out of Court Restructuring Efforts in 2018.

52. In response to their declining financial performance and inability to refinance the indebtedness under the Credit Facility, in July 2018, the Debtors announced a review of strategic alternatives to address their increasingly precarious liquidity, including, among other things, a sale or other disposition of all or parts of the company and the pursuit of certain value-enhancing initiatives. To effectuate a potential sale, FTD engaged Moelis & Company LLC ("Moelis") to shepherd their marketing process regarding a sale of the FTD businesses.

53. In conjunction with the strategic review, the Debtors also announced a corporate restructuring (the "2018 Restructuring") and cost savings plan. To execute on these initiatives, FTD appointed me interim President and Chief Executive Officer. On November 2, 2018, I was appointed President and Chief Executive Officer. Through the 2018 Restructuring, the Debtors brought their floral businesses together under single leadership with the goal of aligning the overall structure of the businesses. Over the fall of 2018 and early spring of 2019, the Debtors were forced to slow the pace of their reinvestment in the businesses based on liquidity. Nevertheless, the Debtors continued to advance their strategic plan by transforming technology infrastructure, improving marketing capabilities, and re-focusing florist partnerships as a core priority. Although the Debtors saw progress on many fronts, certain of the B2C businesses continued to fall short, failing to economically acquire sufficient customers at peak periods to offset the cost of the B2C business model outside of those periods.

54. Over the Valentine's Day holiday period in 2019, the Debtors materially underperformed projections for the second year in a row. This continued underperformance cooled interest in a going concern sale of the entire company and, on March 13, 2019, FTD entered into a seventh amendment to the Amended and Restated Credit Agreement (the "Seventh Amendment"). Among other things, the Seventh Amendment established a June 1st deadline by which the Debtors had to consummate one or more transactions that would either (a) permit the company to continue as a going concern and provide for the repayment in full of obligations under the Credit Facility or (b) apply all or substantially all of the proceeds to repay obligations and permanently reduce commitments under the Credit Facility.

G. Continued Poor Performance Accelerated the Debtors' Marketing Processes and Compromised Market Confidence Leading to the Commencement of these Chapter 11 Cases.

55. Following the Seventh Amendment, the Debtors continued to pursue strategic alternatives, including potential value-maximizing sales of all or certain portions of their assets (the "Sale Efforts") in order to meet the June 1st deadline. In April 2019, the Debtors and Moelis re-engaged in soliciting interest in potential transactions involving the Debtors' legacy business assets held by Debtors Florist Transworld Delivery, Inc. and FTD.COM Inc. (collectively, the "FTD Assets") and assets held by Interflora (collectively, the "UK Assets" and, together with the FTD Assets, the "Core Assets"). In addition, the Debtors engaged Piper Jaffray Companies to pursue sale options with respect to the Provide Business Units (collectively, the "Provide Assets").

56. At the same time, the Debtors were focused on maximizing performance over the critical Mother's Day peak. However, key vendors began to raise concerns regarding the Debtors' liquidity, particularly after FTD released its 2018 Form 10-K, which included a going concern opinion along with certain disclosures regarding FTD's uncertain financial position. Accommodations made to such vendors further depleted the Debtors' already limited liquidity. Subsequently, the Provide Business Units significantly missed their 2019 Mother's Day forecasts, leading to a substantial liquidity shortfall that the Debtors could not bridge and forcing the Debtors to turn their focus towards a chapter 11 filing.

H. The ProFlowers Restructuring, Interflora Sale, and Ongoing Sale Efforts

57. In order to position themselves as favorably as possible in advance of a potential bankruptcy filing, in the weeks prior to the Petition Date, the Debtors expended

considerable time and energy on various aspects of their strategic review process. These efforts resulted in the Debtors' achievement of key prepetition milestones.

58. On May 30, 2019, the Debtors initiated a restructuring of their ProFlowers business (the "ProFlowers Restructuring") to reduce costs and create additional value in the ProFlowers® brand. As part of ProFlowers' new operating model, floral order fulfilment and distribution for the ProFlowers business are being transitioned to the Florist Member Network and third-party fulfilment centers, while ProFlowers will continue to receive, process, and fulfill orders. This shift will further strengthen the Florist Member Network and enable them to better serve customers.

59. In connection with their Sale Efforts, the Debtors continued to negotiate with multiple parties with respect to various proposals related to the Core Assets and Provide Assets, with the goals of effectuating sales, finalizing purchase agreements, and/or firming up stalking horse bidders prior to commencing chapter 11 cases.

60. On May 31, 2019, the Debtors effectuated a sale of the UK Assets to a subsidiary of The Wonderful Company for $59.5 million in cash (the "Interflora Sale"). On June 2, 2019, the Debtors entered into an asset purchase agreement (the "Nexus APA")[10] with an affiliate of Nexus Capital Management LP ("Nexus") for the purchase of the FTD Assets and the restructured ProFlowers business, which will (a) serve as an order gatherer for the Florist Member Network and (b) fulfill orders through third-party fulfilment centers (collectively, the "Restructured FTD Assets") for an aggregate purchase price of $95 million. In addition, prior to Petition Date, the Debtors entered into non-binding letters of intent (collectively,

[10] The Nexus APA contains various contingencies, including the purchaser's procurement of financing and finalization of certain disclosure schedules.

the "LOIs") for purchases of (a) Personal Creations by a strategic investor; and (b) Shari's Berries by Farids & Co., LLC (owned by Tariq Farid, founder of Edible Arrangements, LLC).

PART IV

The Path Forward

61. The Debtors have commenced these chapter 11 cases to (a) support and protect their ongoing business operations, including relationships with their Florist Network Members and other key constituencies, and (b) implement and consummate value-maximizing asset sales for the benefit of their stakeholders. As noted above, the Debtors' Sale Efforts began in July 2018 and, since that time, the Debtors and their professionals have engaged in discussions with numerous strategic and financial buyers with respect to a variety of proposed transactions, which have, to date, resulted in the Interflora Sale, the Nexus APA, and receipt of the LOIs.

62. Shortly after the Petition Date, the Debtors anticipate filing a motion seeking to establish bidding procedures governing the sale and potential auction(s) of substantially all of the Debtors' assets (the "Bidding Procedures Motion"), in accordance with milestones under the Debtors' postpetition financing facility. The Bidding Procedures Motion also will seek authority (a) for the Debtors to enter into one or more asset purchase agreements with one or more bidders that have been designated as a "stalking horse bidder" for certain assets and to provide certain bid protections in connection therewith and (b) to establish certain sale noticing procedures and procedures for the assumption and assignment of executory contracts and unexpired leases that may be assumed and assigned in connection with any sale transaction.[11]

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[11] Despite their focus on concurrent sales paths, the Debtors (in consultation with their prepetition secured lenders) reserve the right to consummate sales of certain assets and reorganize around others.

PART V

Facts Relevant to the First Day Pleadings[12]

63. Concurrently with the filing of these chapter 11 cases, the Debtors filed the First Day Pleadings requesting various forms of relief. The Debtors anticipate that the Court will (a) conduct a hearing soon after the Petition Date at which it will hear and consider many of the First Day Pleadings on an interim or final basis, and (b) consider the remainder of the First Day Pleadings (and final relief for others) on or about a date that is 21 days after the Petition Date.

64. Generally, the First Day Pleadings have been designed to meet the goals of preserving and protecting the Debtors' chapter 11 estates through: (a) continuing the Debtors' operations in chapter 11 with as little disruption as possible; (b) maintaining the loyalty, confidence, and support of key constituencies such as the Debtors' employees, customers (including the Florist Network Members, retail, and partnership customers), and vendors, including by paying certain claims of these constituencies; and (c) establishing procedures for the smooth and efficient functioning of the Debtors' estates. I believe that the relief sought in each of the First Day Pleadings is tailored to meet the goals described above and, ultimately, will be critical to the Debtors' ability to maximize value for their stakeholders.

A. Administrative Pleadings

65. The Debtors will present two purely "administrative" motions, which (a) seek to have the Debtors' bankruptcy cases jointly administered and (b) seek approval to

12 Capitalized terms not otherwise defined herein have the meanings given to them in the relevant Motion.

retain Omni Management Group, Inc. ("Omni") as the Debtors' claims and noticing agent in these chapter 11 cases.[13]

B. Filing Consolidated List of Creditors, Waiving Requirement to File List of Equity Security Holders, and Related Relief

66. Given the affiliated nature of the Debtors, the Debtors will move the Court for entry of an order authorizing them to file a single consolidated list of the Debtors' 30 largest unsecured creditors in these chapter 11 cases in lieu of filing separate lists of the largest 20 unsecured creditors for each of the Debtors. Such authority will facilitate the U.S. Trustee's review of creditors' claims and the appointment of a single creditors' committee in these cases. The Debtors also will seek a waiver of the requirement that each debtor file a list of creditors containing the name and address of each entity included or to be included on a debtor's schedules of liabilities and request that they be permitted to maintain a single, consolidated list of creditors. Further, the Debtors will seek approval of a master service list. Additionally, the Debtors will seek approval of the form and manner of notice of commencement of these chapter 11 cases and of the meeting of creditors to be held pursuant to section 341 of the Bankruptcy Code (the "341 Meeting"). Finally, the Debtors will seek a waiver of the requirements that the Debtors file a list of equity security holders and provide notice of the case commencement to all equity security holders.

C. Extension of Time to File Schedules and Statements

67. Because of the size and complexity of the Debtors' businesses and financial affairs and the critical matters that the Debtors' management and professionals were required to address prior to the commencement of these chapter 11 cases, the Debtors will move

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13 By separate application, the Debtors will seek authorization to retain and employ Omni as administrative advisor pursuant to section 327(a) of the Bankruptcy Code.

for entry of an order granting them an extension of time until 60 days following the Petition Date to gather the information necessary to complete and file the required: (a) schedules of assets and liabilities; (b) schedules of executory contracts and unexpired leases; and (c) statements of financial affairs, without prejudice to the Debtors' right to seek further extensions of such period. In addition, the Debtors will request an extension of the time until 60 days following the Petition Date to file initial reports of financial information in respect of entities in which their chapter 11 estates hold a controlling or substantial interest, as set forth in Bankruptcy Rule 2015.3, without prejudice to the Debtors' right to seek further extensions of such period.

D. Motion to Confirm Administrative Expense Priority of Postpetition Goods and Services

68. The Debtors will move the Court for an order confirming the administrative expense priority of goods delivered and services provided after the Petition Date. In the ordinary course of the Debtors' businesses, numerous suppliers and service providers provide the Debtors with goods and services that are integral to the Debtors' business operations. As of the Petition Date, the Debtors had outstanding prepetition purchase orders with many suppliers of goods and services and the Debtors plan to order goods and request services postpetition for which there are no existing purchase orders. As a result of the commencement of these chapter 11 cases, the Debtors believe that their suppliers may perceive a risk that they will be treated as prepetition general unsecured creditors for the cost of any shipments made or services provided after the Petition Date. As a result, suppliers may refuse to ship such goods or provide such services to the Debtors without certain assurances of payment. The Debtors believe that the relief sought in the relevant motion will permit the Debtors to obtain the timely and uninterrupted delivery of goods and provision of services from their suppliers.

E. Motion to Confirm Bankruptcy Code Protections

69. To aid in the administration of the Debtors' bankruptcy cases and to avoid disruption to the Debtors' business operations, the Debtors will seek the entry of an order, pursuant to section 105(a) of the Bankruptcy Code, that confirms the application of three key protections afforded to the Debtors under the Bankruptcy Code: (a) the automatic stay provisions of section 362 of the Bankruptcy Code; (b) the anti-termination and anti-modification provisions of section 365 of the Bankruptcy Code; and (c) the anti-discrimination provisions of section 525 of the Bankruptcy Code (the "Code Protections").

70. The Debtors believe that (a) the extensive nature of their businesses, (b) their need for, and reliance upon, among other things, contract parties continuing to perform their obligations, and (c) their interactions with parties who may be unfamiliar with, are mistaken regarding, or who simply ignore the Code Protections require the entry of an order confirming those protections in order to maximize value for stakeholders.

F. Procedures for Trading in Equity Securities

71. As of December 31, 2018, the Debtors estimate that, for federal income tax purposes, they have incurred approximately $6 million in net operating losses as a result of past losses from the operation of their businesses (the "Existing NOLs"). In addition, the Debtors have incurred current year tax losses between December 31, 2018 and the Petition Date and expect to incur additional tax losses during these chapter 11 cases, which in the aggregate are expected to be in the hundreds of millions of dollars (such losses, collectively with the Existing NOLs and any other tax attributes of the Debtors, including, if applicable, certain "built-in losses," the "NOLs"). These NOLs are valuable attributes, which could translate into material reductions of the Debtors' future tax liabilities, including potentially significant tax liabilities incurred during these chapter 11 cases.

72. To preserve to the fullest extent possible the ability to maximize the use of their NOLs, the Debtors seek the entry of interim and final orders (a) establishing notice and objection procedures regarding certain transfers of beneficial interests in equity securities in FTD Companies, Inc., (b) establishing a record date for notice and potential sell-down procedures for trading in claims against the Debtors, and (c) granting related relief. The relief sought will enable the Debtors to closely monitor certain transfers of equity securities, and thereby preserve the Debtors' ability to seek the necessary relief at the appropriate time if it appears that such transfers may jeopardize the Debtors' use of their NOLs. In addition, establishing a record date with respect to trading in claims against the Debtors will ensure that claimholders receive sufficient notice that any claims purchased after such date may ultimately be subject to certain sell-down procedures in the event an order approving such procedures is sought by the Debtors and entered by the Court to preserve the Debtors' ability to use their NOLs.

G. Adequate Assurance of Payment of Utilities

73. The Debtors currently use electric, natural gas, heat, water, sewer, telecommunications, internet, and other services of the same general type or nature (collectively, the "Utility Services") provided by approximately 39 Utility Companies (the "Utility Companies"). The Debtors estimate that their average aggregate monthly obligations to the Utility Companies on account of services rendered total approximately $469,995.

74. Because the Utility Companies provide services essential to the Debtors' operations, any interruption in Utility Services could prove damaging. The Debtors' businesses rely upon the functioning of facilities of varying types located in various states, including the Debtors' corporate offices, call centers, data centers, and 11 distribution center locations which provide, among other things, essential climate-controlled storage for much of the Debtors'

perishable inventory. In addition, the Debtors require constant internet service to attract customers, maintain brand image, and manage their internet-based platform, which is used to process and fill orders. The Debtors could not operate these facilities or serve their customers in the absence of continuous Utility Service. The temporary or permanent discontinuation of Utility Services could irreparably disrupt the Debtors' business operations and, as a result, fundamentally harm the value of the Debtors' estates. The Debtors intend to pay any postpetition obligations to the Utility Companies in a timely fashion and in the ordinary course, as they have substantially done prior to the Petition Date

75. I understand that, pursuant to section 366(c)(2) of the Bankruptcy Code, a utility may alter, refuse, or discontinue a chapter 11 debtor's utility service if the utility does not receive from the debtor or the trustee "adequate assurance of payment" within 30 days of the commencement of the debtor's chapter 11 case. The Adequate Assurance Deposit of $207,260 equals approximately two weeks of the Debtors' estimated aggregate utility expenses, net of any prepetition deposits, letters of credit, surety bonds, or other similar forms of adequate assurance of payment already provided to the Utility Companies.

H. Insurance and Surety Bond Programs

76. In the ordinary course of their businesses, through several different insurance carriers (the "Insurance Carriers"), the Debtors maintain various insurance policies (the "Insurance Policies") with coverage generally applying across the following four areas: (a) property and casualty; (b) workers' compensation; (c) management liability; and (d) technology and cyberspace liability. The Insurance Policies are essential to preserve the value of the Debtors' estates and it is my understanding that, in some cases, they are required by various laws, regulations, or contracts that govern the Debtors' businesses. The Debtors pay approximately $2.79 million in aggregate annual obligations under all of the Insurance Policies,

including taxes and fees. The Debtors use Lockton Companies, LLC (the "Broker") as their insurance broker to assist with the procurement and negotiation of, and payments arising in connection with, the Insurance Policies.

77. In October 2018, the Debtors renewed their Insurance Policies for the periods covering either October or November 2018 through October or November 2019, as applicable (the "2018/2019 Renewal").[14] In connection with the 2018/2019 Renewal, the Debtors made a lump-sum pre-payment of approximately $2.36 million (the "Lump-Sum Payment") to the Broker, who remitted payment to the appropriate Insurance Carriers.[15] A remaining balance of approximately $433,000 was to be paid over eight monthly installments (the "Monthly Installments") to the Broker, for the Broker to remit to the appropriate Insurance Carriers. The Monthly Installments cover premiums, taxes, fees, and interest owing in respect of certain of property and casualty policies as well as workers' compensation policies; all other Insurance Policies were prepaid and satisfied in full through the Lump-Sum Payment.

78. Prior to the Petition Date, the Debtors paid the Broker six of the eight Monthly Installments, each in an amount of $54,220.75. Thus, as of the Petition Date, the Debtors' Insurance Obligations are close to fully pre-paid through October 2019 with a nominal amount outstanding, which the Debtors expect to pay within 60 days of the Petition Date.

79. As of the Petition Date, there were no material claims pending against the Debtors under any of their Insurance Policies. Further, the Debtors do not anticipate that there

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14 One of the Insurance Policies has a three-year term from 2016 to 2019 and thus renewal was not needed.

15 Included in the Lump-Sum Payment, the Debtors paid the Broker a $225,000 service fee, which constituted payment in full for services provided by the Broker in connection with the 2018/2019 Renewal. Accordingly, as of the Petition Date, the Debtors do not owe any other fees to the Broker in connection with their current Insurance Policies.

will be material claims under their Insurance Policies that have been incurred as of the Petition Date (thus giving rise to prepetition liabilities) but have not yet been reported.

80. The Debtors anticipate that they likely will have to renew or replace expiring Insurance Policies as early as October 2019.

81. Surety Bond Program. In the ordinary course of business, the Debtors are required to provide surety bonds to certain third parties (e.g., governmental units or other public agencies) to secure the Debtors' payment or performance of certain obligations (collectively, the "Surety Bonds"). These obligations generally relate to customs duties, other obligations related to cross-border transactions, and charitable non-profit activities. The Surety Bonds include bonds with the United States Customs & Border Patrol, the Minister of National Revenue of Canada, the State of Alabama, and the Commonwealth of Massachusetts.

82. As of the Petition Date, the Debtors have approximately $1.1 million in outstanding Surety Bonds. The premiums for the Surety Bonds are generally determined on an annual basis and are paid by the Debtors when bonds are issued and annually thereafter upon renewal. In the 12 months preceding the Petition Date, surety premium payments totaled approximately $19,300. As of the Petition Date, the Debtors estimate that all premium payments due and owing under the Surety Bonds have been paid in full, and the Debtors are not aware of any pending requests for payment by sureties.

83. To continue business operations during these chapter 11 cases, the Debtors must be able to provide financial assurances to governmental units and regulatory agencies which, in turn, requires the Debtors to maintain their Surety Bonds (including, as necessary, posting collateral in accordance with applicable agreements or as otherwise necessary) and acquire additional bonding capacity as needed in the ordinary course of the Debtors' businesses.

84. The Debtors anticipate that they likely will have to renew or replace expiring Surety Bonds as early as August 2019.

I. Prepetition Taxes

85. The Debtors, in the ordinary course of their businesses, incur various tax and other liabilities to governmental entities, including, among others, sales and use taxes, franchise taxes, and certain other taxes, assessments, and fees (collectively, the "Prepetition Taxes") owed to certain taxing authorities (the "Taxing Authorities"). Prior to the Petition Date, the Debtors generally paid their tax obligations as they became due. Based on their books and records, the Debtors believe that their current accrued but unpaid Prepetition Taxes incurred in the ordinary course of business are approximately $7,464,000 as of the Petition Date, of which the Debtors believe that approximately $7,126,000 will come due during the first 30 days of the chapter 11 cases.

86. The Debtors collect and remit certain sales, local gross receipts, and other similar taxes in connection with the sale of goods and the provision of services to their customers (collectively, the "Sales Taxes"). The Debtors are also required to pay use taxes (collectively, the "Use Taxes" and, together with the Sales Taxes, the "Sales and Use Taxes") when they make certain purchases of tangible personal property from an out-of-jurisdiction vendor. As of the Petition Date, the Debtors estimate that the aggregate amount of unpaid Sales and Use Taxes owing to the Taxing Authorities is approximately $7,000,000.

87. The Debtors pay franchise, capital stock, and similar taxes and fees (collectively, the "Franchise Taxes") to certain of the Taxing Authorities to maintain the right to operate their businesses in the applicable taxing jurisdictions. As of the Petition Date, the Debtors estimate that the aggregate amount of unpaid Franchise Taxes owing to the Taxing Authorities is approximately $65,000.

88. The Debtors pay real property and personal property taxes (collectively, the "Property Taxes") to certain Taxing Authorities on account of their business assets. As of the Petition Date, the Debtors estimate that the aggregate amount of unpaid Property Taxes owing to the Taxing Authorities is approximately $255,000.

89. Many municipal and county governments require businesses to obtain business licenses and pay corresponding business license fees (collectively, the "Business License Fees"). Certain state governments also require the Debtors to pay annual report or bi-annual report taxes (collectively, the "Annual Report Taxes") and other corporate fees in order to be in good standing for purposes of conducting business within that state. As of the Petition Date, the Debtors estimate that the aggregate amount of unpaid Business License Fees and Annual Report Taxes owing to the Taxing Authorities is approximately $42,000.

90. The Debtors also are required to pay separate taxes to Canadian Taxing Authorities for the supply of goods and services in Canada. These taxes include both a national tax on goods and services (the "GST"), and, where applicable, a provincial tax on goods and services (the "PST"). As of the Petition Date, the Debtors estimate that the aggregate amount of unpaid GST and PST owing to the Taxing Authorities is approximately $102,000.

91. The Debtors believe they have ample justifications to pay the Prepetition Taxes because it is my understanding that: (a) certain of the Prepetition Taxes, such as the Sales and Use Taxes, do not constitute property of the Debtors' chapter 11 estates because they are "trust fund taxes" held by the Debtors in trust for the benefit of those third parties to whom payment is owed or on behalf of whom such payment is being made; (b) certain of the Prepetition Taxes constitute secured or priority claims, the payment of which will not prejudice general unsecured creditors; (c) failure to pay the Prepetition Taxes may impact the Debtors'

ability to conduct business in certain jurisdictions and thus their ability to maximize the value of their assets for the benefit of their stakeholders in the chapter 11 cases; and (d) the Debtors' directors and officers may face personal liability and, possibly, criminal charges if certain of the Prepetition Taxes are not paid. Therefore, to prevent immediate and irreparable harm that would result from such disruptions and distractions, the Debtors seek authority to pay these claims.

J. Employee Wages and Benefits

92. The continued and uninterrupted support of the Debtors' Core Employees is essential to the success of these chapter 11 cases. The Core Employees perform a variety of functions critical to the Debtors' day-to-day operations. Moreover, the Core Employees' skills, specialized knowledge, and understanding of the Debtors' operations, as well as their relationships with customers, vendors, and other third parties, are essential to the Debtors' businesses.

93. As of the Petition Date, many employees were owed or had accrued various sums for wages, salaries, and other accrued compensation, reimbursable business expenses, employee benefits, and payroll deductions. I believe that without the requested relief, the Debtors' Core Employees – whose morale has been tested by the recent reduction in force and the underperformance of certain of the Debtors' businesses – may seek alternative opportunities. Such a development would deplete the Debtors' workforce, hindering the Debtors' operations and their ability to maximize value for stakeholders. The loss of valuable employees and the resulting need to recruit new personnel to replenish the Debtors' workforce would be distracting and counterproductive at this critical time, particularly while the Debtors are (a) executing the ProFlowers Restructuring and (b) actively engaged in ongoing Sale Efforts. Accordingly, the Debtors must do their utmost to retain their workforce by, among other things, continuing to honor all wage, benefit, and related obligations, including Employee Obligations

that accrued prepetition. In addition, bolstering the morale of their employees and ensuring the uninterrupted availability of their services will assist the Debtors in (a) maintaining a "business as usual" atmosphere to the extent possible and (b) preserving the Debtors' relationships with a variety of important constituencies, including key customers and vendors.

94. I further believe that the Debtors must have a functioning board of directors in place to continue in operation and that outside directors would be likely to leave if they are not paid their compensation or reimbursed their expenses. To lose key outside directors at the early stages of the Debtors' chapter 11 cases would jeopardize the Debtors' efforts to maximize value, including the Debtors' Sale Efforts.

95. In addition, without the continuation of the Continued Benefits, including payments to non-insider employees under the Severance Guidelines and Incentive Programs – each of which were in place pursuant to established guidelines and procedures prior to the Petition Date – I believe that the Debtors' remaining employees may be more likely to seek out alternative employment. Without these employees, the Debtors' operations, and their efforts to maximize value for stakeholders in these chapter 11 cases, would be significantly adversely affected. I further believe that continuation of the Severance Guidelines and Incentive Programs for non-insider employees will encourage remaining employees to continue working for the Debtors notwithstanding the uncertainty created by the filing of the chapter 11 cases and the Debtors' ongoing Sale Efforts, thereby enabling the Debtors to take all steps necessary to maximize the value of their assets.

96. For these reasons, among others, I believe (a) the payment of certain prepetition obligations and (b) the continuation of certain programs and benefits on a postpetition basis as set forth in the *Motion of the Debtors for Interim and Final Orders (I) Authorizing the*

Debtors to Pay Prepetition Employee Wages, Benefits, and Related Items and (II) Granting Certain Related Relief to be essential to the Debtors' efforts to maximize value for their stakeholders in these chapter 11 cases.

K. Cash Management

97. The Debtors' Cash Management System. The Debtors, as affiliated entities, historically have employed a consolidated cash management system (the "Cash Management System") encompassing 22 domestic bank accounts and three foreign bank accounts (collectively, the "Bank Accounts") which are used in the collection, management, and disbursement of funds in the day-to-day operation of the Debtors' businesses. The Debtors make and receive thousands of payments per week, and over approximately $3.5 billion in cash flows through the Cash Management System annually.

98. The Debtors maintain each of the domestic Bank Accounts at financial institutions insured by the Federal Deposit Insurance Corporation (the "FDIC"). Each of the foreign Bank Accounts are maintained at large, highly regulated financial institutions with international operations, and the Debtors believe that their deposits with these institutions are secure. The Debtors use most of these Bank Accounts to collect, transfer, and disburse funds generated from operations on a daily basis and record such collections, transfers, and disbursements.

99. The Cash Management System enables the Debtors to (a) control and monitor corporate funds, (b) ensure cash availability, and (c) reduce costs and administrative expenses by facilitating the movement of funds, thereby increasing the efficiency of their business operations. It would be difficult, expensive, disruptive, and administratively burdensome to require the Debtors to close all of their existing Bank Accounts and open new,

segmented, debtor-in-possession bank accounts for each Debtor entity at the very outset of these bankruptcy cases.

100. Transactions Among the Debtors. In the ordinary course of business, the Debtors engage in intercompany financial transactions with one another (collectively, the "Inter-Debtor Transactions") for administrative convenience, to ensure their operational and financial needs are met, and to facilitate the Debtors' sale of goods and services. For example, Provide Commerce LLC and its Debtor affiliates (collectively, the "Provide Debtors") are party to an Intercompany Agreement, effective as of July 20, 2010, which provides for the allocation of certain costs, sharing of certain services, and the transfer of certain products among the Provide Debtors. All Inter-Debtor Transactions result in the creation of corresponding intercompany payables and receivables. The Debtors expect that similar Inter-Debtor Transactions will occur on a postpetition basis.

101. Transactions Between the Debtors and Non-Debtor Affiliates. In addition to the Inter-Debtor Transactions, in the ordinary course of business, the Debtors engage in certain intercompany transactions with non-Debtor affiliates (collectively, the "Inter-Affiliate Transactions" and, together with the Inter-Debtor Transactions, the "Intercompany Transactions"), which provide for the allocation of corporate overhead costs, the sharing of certain services, the Debtors' receipt of key IT Services (as defined herein), and the facilitation of the Debtors' sale of goods and services.

102. For example, prior to the Petition Date, Debtor Florists' Transworld Delivery, Inc. was responsible for compensating and making payments toward the supplemental medical, dental, life, and disability insurance plans for three Canadian employees (the "Canadian Employees") employed by non-Debtor affiliate FTD Canada Inc. ("FTD Canada"). Historically,

FTD Canada reimbursed Florists' Transworld Delivery, Inc. through intercompany transfer for amounts paid on account of the Canadian Employees. While FTD Canada is not a debtor in these chapter 11 cases, the Canadian Employees conduct sales and recruit Florist Network Members in Canada for the Debtors' Florist segment and thus are critical to the Debtors' Canadian business transactions. The average amount that the Debtors pay per payroll period for the compensation and benefits of the Canadian Employees is less than $10,000.

103. Debtor FTD, Inc. and non-Debtor FTD India Private Limited ("FTD India") are party to a Foreign Collaboration Agreement, dated as of November 1, 2013, pursuant to which FTD India manufactures, develops, and exports computer software and services related thereto (the "IT Services") to FTD, Inc. In accordance with the Foreign Collaboration Agreement, FTD, Inc. reimburses FTD India for all reasonable operating expenses incurred by FTD India toward provision of the IT Services, including the cost of FTD India's employee salaries and certain costs associated with the development of the IT Services, such as rent, equipment, telephones or faxes, email, and travel, subject to approval by FTD, Inc. Payments made to FTD India total approximately $250,000 per month.[16]

104. 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 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 transfers of cash in satisfaction of fees and costs of processing and fulfillment

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16 This amount includes a "transfer pricing margin" based on the published margins of comparable companies registered in India. The transfer pricing margin is subject to annual change, and the Debtors currently pay approximately $40,000 per month on account of the transfer pricing margin.

obligations owed to overseas florists. These outgoing cash transfers aggregate approximately $200,000 per month.

105. The Inter-Affiliate Transactions result in the creation of corresponding intercompany payables and receivables. The Debtors expect that similar Inter-Affiliate Transactions will occur on a postpetition basis.

106. Each of the foregoing Intercompany Transactions was, and is, being conducted to facilitate the Debtors' continued operations and to maximize and appropriately allocate value for the materials and services provided. In general, as discussed above, the Intercompany Transactions provide substantial benefits to the Debtors. Accordingly, the Debtors intend to continue these transactions in the ordinary course of business on a postpetition basis.

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, information, and belief.

Dated:	June 3, 2019 Downers Grove, Illinois	*/s/ Scott D. Levin* Scott D. Levin

EXHIBIT A

Organizational Chart

ORGANIZATIONAL STRUCTURE FOR DEBTORS AND NON-DEBTOR AFFILIATES

AS OF JUNE 3, 2019