

EXHIBIT B

June 30, 2016

Southern Season, Inc.  
100 Europa Drive, Suite 100  
Chapel Hill, NC 27517  
ATTN: Brian Fauver, CFO

Dear Brian:

On behalf of Silk Route Capital Corporation, LLC (the "*Lender*"), we are pleased to submit the following letter and attached term sheet (the "*Term Sheet*") for debtor-in-possession financing in the principal amount of up to Six Million Dollars (\$6,000,000) to Southern Season, Inc. a North Carolina corporation, and affiliates (collectively, the "*Debtor*"). This letter and the Term Sheet are collectively referred to herein as the "*Letter of Intent*." By executing this Letter of Intent, the signatories are expressing their intent to consummate a transaction on the terms set forth in this Letter of Intent. As such, it is the intent of the parties hereto to prepare, execute, authorize and deliver agreements relating to the transaction described herein (the "*Transaction*") and to consummate the Transaction.

1. Effect of Letter of Intent. Except as set forth in this Section 1, this Letter of Intent is not intended to be, and shall not constitute, a binding or enforceable agreement between the parties hereto. Instead, it merely sets forth the parties' present intent with regard to the terms proposed, which terms may or may not become part of a definitive agreement. Except for the provisions of Sections 3 (Governing Law) and 4 (Termination of Breakup Fee Obligations) of this Letter of Intent, the sections of the Term Sheet entitled "Breakup Fee and Expense Reimbursement" and "Attorneys' Fees and Expenses", and this Section 1 (which are intended to be binding agreements of Lender and the Debtor), no legal or equitable rights, responsibilities or duties are created hereby or thereby. Neither party may rely on any promise inconsistent with this Section 1. This Section 1 supersedes all other conflicting or ambiguous language in this Letter of Intent or any contemporaneous document or other instrument that precedes this Letter of Intent. On June 24, 2016, the Debtor filed a voluntary petition for reorganization under chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Middle District of North Carolina (the "*Bankruptcy Court*"). The Debtor's case is No. 16-80558. The parties acknowledge that this Letter of Intent, and any Loan Documents (as defined below) shall not be effective unless and until approved by the Bankruptcy Court.

2. Negotiation of Definitive Agreements. The parties shall negotiate and execute Loan Documents (as defined in the Term Sheet) as Lender may require in connection with the Transaction. Lender shall deliver substantially complete drafts of the Loan Documents, and proposed interim and final DIP Orders to the Debtor not later than July 8, 2016.
3. Governing Law. This Letter of Intent is governed by and shall be interpreted under the laws of the State of North Carolina without giving effect to any choice of law principles.
4. Termination of Breakup Fee Obligations. In the event that definitive Loan Documents are not signed by the Debtor and the Lender on or before July 8, 2016 or the Bankruptcy Court fails to enter an interim DIP Order by July 15, 2016, as described in the Term Sheet, then the Debtor's obligations with respect to the "*Breakup Fee*" as described in the Term Sheet shall terminate and be of no further force or effect.
5. Termination of LOI. This Letter of Intent is deemed automatically withdrawn by Lender if either: (i) a Chapter 11 Trustee is appointed in the Debtor's bankruptcy case, or (ii) it is not executed by the Debtor by July 8, 2016. Either party shall have the option to withdraw this Letter of Intent if an interim DIP Order is not entered by the Court on or before July 15, 2016.

This Letter of Intent may be signed in two or more counterparts, any one of which need not contain the signature of more than one party, but all such counterparts will constitute one and the same agreement.

If you are in agreement with the terms of this Letter of Intent, please date and sign in the space provided below and return a signed copy to the Lender.

[signatures page(s) to follow]

Best regards,

Lender:

Silk Route Capital Corporation, LLC

By: 


Name: Pete Coker

Title: Managing Member, Dip Financing Fund, LLC Manager

Agreed and accepted this 30<sup>th</sup> day of June, 2016.

Debtor:

Southern Season, Inc.

By: 

Name: Brian Fauver

Title: CFO



**TERM SHEET FOR PROPOSED DIP LOAN**

June 30, 2016

**BORROWER:** Southern Season, Inc., in all capacities, including, but not limited to its capacity as debtor-in-possession (the "*Debtor*").

**LENDER:** All references to "Lender" in this Term Sheet means Silk Route Capital Corporation, LLC.

**BANKRUPTCY CASE:** The voluntary Chapter 11 bankruptcy proceeding that Debtor commenced on June 24, 2016 in the United States Bankruptcy Court for the Middle District of North Carolina ("*Bankruptcy Court*") with Case Number 16-80558 ("*Bankruptcy Case*").

**OVERVIEW:** Lender will provide the DIP Financing to provide Debtor with necessary funds to operate its business until confirmation of a reorganization plan (the "Reorganization Plan"). The entire transaction will be subject to approval by, and under the supervision of, the Bankruptcy Court. Funding of the DIP Financing is conditioned on, among other things, the parties' execution of the Loan Documents and entry by the Bankruptcy Court of the DIP Order (defined below), which shall include approval of the Breakup Fee. The capitalized term "Loan Documents" means deeds of trust, assignments, pledges, instruments, documents, certificates, opinions and assurances, and any other documents as Lender may require in connection with the DIP Financing, all of which shall be in form and substance acceptable to and approved by Lender. The Loan Documents will contain representations and warranties; conditions precedent; affirmative, negative and financial covenants; indemnities; and events of default and remedies as required by Lender, and as are appropriate for a transaction of this type. All orders of the Bankruptcy Court approving or authorizing the DIP Financing, and all motions relating thereto, shall be in form and substance acceptable to and approved by Lender.

**AMOUNT:** A total of \$6.0 million, to be advanced as follows:

- DIP Financing shall be up to \$6.0 million (with OID of 6 points) and shall be made available in multiple draws per budget as approved by lender.
- The funding of such DIP Financing shall be conditioned upon, among other things, no uncured Event of Default, entry

by the Bankruptcy Court of the DIP Order, which shall include approval of the Breakup Fee (defined below).

- The DIP Financing will consist of a credit facility secured by a lien on all of the Collateral (defined below). The lien will be a second priority lien, subordinate only to the lien of SummitBridge National Investments IV, LLC (the "Secured Lender"). Additional terms of the credit facility will include, without limitation, the terms outlined below.

DIP FINANCING  
MATURITY:

"Maturity Date" for the DIP Financing will be the earlier to occur of (i) the Debtor exiting from bankruptcy pursuant to the Reorganization Plan that has been approved by Lender, (ii) the confirmation of any other plan of reorganization by the Bankruptcy Court, or (iii) the occurrence of any event of default (subject to any notice and cure provisions, as may be set forth in the Loan Documents) to be set forth in the Loan Documents ("*Event of Default*") including, without limitation, (a) failure to achieve a Milestone as set forth below, (b) dismissal or conversion of the Bankruptcy Case, (c) filing by Debtor of one or more motion(s) or application(s) in the Bankruptcy Case and/or approval of a sale or licensing of any of the Collateral with a total book value in excess of 250,000 including, without limitation, Debtor's IP rights, which is not approved by Lender, (d) appointment of a Chapter 11 trustee, (e) entry of one or more order(s) in the Bankruptcy Case granting one or more lien(s) on Collateral with a total book value in excess of \$250,000 to any persons or entities other than Lender or Secured Lender.

USE OF PROCEEDS:

Advances under the DIP Financing will be used by the Debtor for working capital purposes and for other costs of the Debtor, all in accordance with a 6-month budget ("*Budget*"), and in accordance with the terms and conditions of the Loan Documents and DIP Order. Such Budget must include funding to open two additional Taste of Southern Season stores, the buildup of inventory necessary to meet Christmas sales demands and the completion of the eCommerce ongoing project currently under contract. During any period prior to the effective date of the reorganization Plan when the Debtor's cash on hand is less than \$100,000, the Budget shall be subject to the Lender's reasonable approval.



OID, COMMITMENT FEE  
AND INTEREST RATE  
FOR DIP FINANCING:

The DIP Financing shall be subject to (i) a commitment fee of \$300,000 (5%) ("*DIP Financing Commitment Fee*"), (ii) OID of six (6) points (\$300,000) ("*OID*"), and (iii) interest ("*Interest*") at the annual rate of 6% calculated on the basis of a 360-day year and actual days elapsed, which Interest rate shall increase by 5% upon an Event of Default.

EQUITY CONVERSION:

Upon exiting the Chapter 11 proceeding pursuant to the Reorganization Plan, Lender shall have the option of converting the DIP Financing plus all accrued but unpaid Interest into 100% of the outstanding stock of the reorganized Debtor (the "*Conversion*").

DIP FINANCING  
PAYMENTS:

The DIP Financing Commitment Fee, OID, principal and Interest earned will accrue until Maturity or Conversion.

COLLATERAL:

The Loan Documents and the DIP Order will grant Lender Second priority security interests, mortgages, and/or deeds of trust, in and liens on all real and personal property of the Debtor and its estate of any kind or nature whatsoever, tangible, intangible or mixed, now existing or hereafter acquired or created, whether existing before or arising after the commencement of the Bankruptcy Case (the "*Collateral*"). The Collateral shall include Debtor's cash. For the avoidance of doubt, the foregoing definition of "*Collateral*" excludes any chapter 5 avoidance actions or proceeds thereof. The lender's security interests will prime all other security interests, other than the security interests of the Secured Lender.

REPAYMENT OF  
DIP FINANCING:

On the Maturity Date, the entire principal amount of the DIP financing plus all accrued and unpaid Interest, OID and the DIP Financing Commitment Fee shall, at Lender's option, either (i) be paid in cash, or (ii) convert to 100% of the outstanding stock of the reorganized Debtor.

SHARES:

Upon the Conversion, the reorganized Debtor shall issue to Lender shares of the reorganized Debtor such that Lender will own and hold 100% of the outstanding stock of the reorganized Debtor.

FEES:

BREAKUP FEE AND EXPENSE REIMBURSEMENT:

Upon the occurrence of a Triggering Event (defined below), Lender shall be entitled to a breakup fee and expense reimbursement which shall consist of:

- (1) Payment in the amount of \$300,000-(5%) ("*Cash Breakup Fee*"); and
- (2) Reimbursement of up to \$35,000 of reasonable documented attorneys' fees and other expenses incurred by Lender in connection with this transaction ("*Breakup Attorneys' Fees*"). The Cash Breakup Fee, and Breakup Attorneys' Fees are collectively referred to as the "*Breakup Fee*".

The Lender shall be entitled to the Breakup Fee (each a "*Triggering Event*") if Debtor: (i) consummates a sale of any of its IP rights or other assets which is not approved by Lender, (ii) consummates a sale of all or substantially all of its assets or common stock which is not approved by Lender, (iii) accepts an alternative DIP financing proposal to that contemplated by this Term Sheet, or (iv) consummates a plan of reorganization which is not approved by Lender.

For the avoidance of doubt:

- The Cash Breakup Fee and the Breakup Attorneys' Fees shall be an allowed administrative claim under 11 U.S.C. §503.
- In the event the Breakup Fee is triggered under (i), or (ii) above, both the Cash Breakup Fee and Breakup Attorneys' Fees shall be payable to Lender out of the proceeds of such sale or alternative financing. In the event that the Breakup Fee is triggered under (iv) above, both the Cash Breakup Fee and Breakup Attorneys' Fees shall be payable as a priority administrative claim under any confirmed plan.



DIP FINANCING COMMITMENT FEE:

At the closing of the DIP Financing, the DIP Financing Commitment Fee shall accrue to the benefit of the Lender and shall be fully earned when due and is non-refundable in all cases.

UPSET FEE:

If another party submits a reorganization plan that results in such party receiving a majority of the outstanding stock of the reorganized Debtor and such plan is confirmed by the Bankruptcy Court, the Lender shall be entitled to an upset fee equal to 5% of the amount of the DIP Financing facility hereunder. This fee will be in lieu of the Breakup Fee.

ATTORNEYS' FEES AND EXPENSES:

Debtor shall pay in full at the closing of the DIP Financing all of Lender's reasonable professional costs and fees incurred in relation to the DIP Financing ("*DIP Financing Attorneys' Fees*"), including, without limitation, due diligence for and the negotiation and documentation of this Term Sheet, the Loan Documents, the Breakup Fee Order (defined below), and the DIP Order.

For the avoidance of doubt, if Lender funds the DIP Financing, Debtor shall pay the DIP Financing Attorneys' Fees. If Lender is entitled to the Breakup Fee, at the time the Breakup Fee is paid or the stock is issued, Lender shall also be entitled to payment of the Breakup Attorneys' Fees.

MILESTONES:

Each of the following shall constitute a milestone ("*Milestone*"). Either Party shall have the right to waive or defer the date for the other Party's compliance with a Milestone without constituting an event of default under the DIP Financing.

- On or before July 8, 2016: Lender to provide Debtor with substantially complete drafts of Loan Documents, and proposed DIP order.
- On or before July 10, 2016: Debtor shall file a Motion with the Bankruptcy Court seeking approval of the Loan Documents and entry of the DIP order. Such motion may request entry of an interim order, on an expedited basis, approving an initial advance in an amount necessary to maintain operations pending a final hearing to consider the final approval of the Loan Documents, provided that such interim order shall provide Lender with substantially the same protections with respect to the initial advance as the proposed DIP Order.



- On or before August 5, 2016: The Bankruptcy Court shall have entered the DIP Order.
- On or before October 21, 2016: Debtor shall have filed with the Bankruptcy Court the Reorganization Plan and related disclosure statement, both of which are acceptable to Lender, unless the Lender consents to an extension of time.
- On or before January 31, 2017: The Bankruptcy Court shall have entered an order acceptable to the Lender confirming a Reorganization Plan acceptable to the Lender.
- On or before March 1, 2017: The Reorganization Plan shall have become effective by its terms.

To the extent that any of the foregoing Milestones contemplate one party's opportunity to review and approve pleadings or other documents prepared by the other party before filing with the Bankruptcy Court, the reviewing party shall provide its comments on such pleadings or other documents to the drafting party within three (3) business days of receipt of such drafts, unless the parties agree otherwise.

CONDITIONS TO  
FUNDING:

The DIP Financing shall be subject to and contingent upon the following

- (1) DIP Order: The Bankruptcy Court shall enter an order in form and substance acceptable to Lender approving the DIP Financing (the "*DIP Order*"), including the Breakup Fee. The DIP Order will, among other things, adjudicate (i) all indebtedness under the Loan to have superpriority claim status under Bankruptcy Code §§ 364(c)(1) and 507(b), and (ii) Lender's claims to be fully secured as stated below under Bankruptcy Code §§ 364(c) and (d), with second priority liens on all of the Collateral having the priorities specified herein, subject only to the first priority liens of Secured Lender.

Without limiting the foregoing in any way, the DIP Order will include, among other things, the following provisions: (i) Lender will have full stay relief (subject to appropriate notice and cure periods as may be set forth in the Loan Documents) so that Lender can enforce its rights in the event of a default without having to obtain any other or further court order, including, without limitation, the enforcement of such remedies against the Collateral, (ii) the Debtor will not seek to obtain any other loan(s), without the prior written consent of Lender, unless such other

loan(s) are part of an overall financing commitment to the Debtor determined after a competitive auction process (conducted pursuant to Bankruptcy Court approved procedures) to be a higher or better offer for financing than the DIP Financing that Lender has committed to provide, (iii) the Debtor will not seek approval for, or incur any debt which will prime, or be *pari passu* with, the liens against the Collateral granted to Lender, (iv) the Debtor will agree and the DIP Order will so provide that there will be no Bankruptcy Code § 506(c) surcharge claims against Lender or its Collateral, (v) approval of all fees set forth herein relating to the DIP Financing, and (vi) the Loan is an arms-length transaction, in good faith, for reasonable consideration, and is not a fraudulent transfer under the Bankruptcy Code or other applicable law.

FINANCIAL REPORTING: Debtor shall provide the financial reports, statements and budgets as required by Lender and/or customary for the DIP Financing contemplated by this Term Sheet. Lender shall have the right to conduct inspections of the books and records and of the Debtor upon reasonable notice.