

CAR•TOYS®

FAQs

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1. What did the Company announce?

On August 18, 2025 Car Toys, Inc. announced that it will sell the majority of its stores to 5 different buyers and will close the remaining stores, the distribution center, and corporate headquarters. The Company also announced it has filed a voluntary petition for relief under Chapter 11 in the United States Bankruptcy Court for the Western District of Washington. Car Toys, Inc. has filed a series of motions with the Bankruptcy Court to ensure a seamless transition into chapter 11 and intends to use the protections afforded by the Bankruptcy Court to continue paying prepetition employee wages and salaries and to provide employee benefits without interruption. The Company continues to work closely with its suppliers and partners to ensure it meets ongoing obligations and business continues uninterrupted. Within the Chapter 11 bankruptcy process, the Company has entered into sales agreements with Drive In Autosound (Colorado Springs), Longworth-Shakarov (Oregon less Annex), Parcels-Pritts (Texas), Selway Sound dba Aspen Sound (Spokane), and Sound Distribution (Northern Colorado, Western Washington and Portland Annex), whereby the collective buyers expect to acquire substantially all of the Company's assets and to continue providing its service offerings.

2. What is Chapter 11?

The Chapter 11 process is designed to allow companies like Car Toys, Inc. to continue to operate as usual, while they work to restructure and achieve their financial or operational goals. In our case, this means using the process to facilitate the orderly sale of our businesses.

3. Does this mean Car Toys, Inc. is going out of business?

Car Toys, Inc. will continue normal operations during the Chapter 11 cases until the sale of their businesses. At that time, the same services will continue, but under a different ownership structure.

4. Why was the filing necessary?

We have taken this action to give our businesses – and all the people who depend on them – the best possible future. Continuity of business operations, employee retention, and vendor relationship preservation are the top priorities for Car Toys, Inc.

Following a thorough review of various alternatives, Car Toys, Inc. determined that this filing is the best way to address various balance sheet issues related to long-term corporate debt. By restructuring this debt, Car Toys, Inc. will be well positioned for business continuity of its sold stores and for an orderly winddown of closed locations.

Importantly, Car Toys, Inc. is not taking this step because the fundamentals of its business model are unhealthy. Rather, it is doing so in order to address long-term debt issues unrelated to company performance or operations.

5. What entities are included in the Chapter 11 filing?

Car Toys, Inc.

6. Who are your legal / financial advisors?

Car Toys, Inc. is advised in this matter by **Cairncross & Hempelmann PA**, as legal counsel, and **SierraConstellation Partners**, as financial advisor.

7. Have you secured financing during the Chapter 11 cases? How can you be sure you have the financial resources to complete the process successfully?

Car Toys, Inc. has ample liquidity to fund its day-to-day operations and fulfill commitments to its valued employees, customers, and suppliers during the Chapter 11 process. In addition to prepetition funding of \$3.3 million, to support ongoing operations, we have secured a commitment for up to \$500,000 in debtor in possession (“DIP”) financing from our pre-petition secured lenders. This additional financing, combined with normal, ongoing cashflows from our businesses, will help to ensure we are able to meet our go-forward commitments to employees, clients, and suppliers.

8. Where can I learn more about the restructuring?

Additional information about Car Toy’s Inc.’s Chapter 11 cases can be found at <https://cases.stretto.com/cases.stretto.com/CTI>

9. We have a contract with you. Are you going to be able to satisfy it?

We expect to meet our obligations to vendors and partners on a go forward basis during these Chapter 11 cases.

10. How will the restructuring affect Car Toys, Inc. ’s relationship with vendors?

Our goal is to use the Chapter 11 process to address the significant amount of debt and to position our remaining businesses for long-term success. With our additional financing in place, we fully expect to pay vendors in the ordinary course of business for all goods and services delivered to any Car Toys, Inc. entity on or after August 18, 2025, the time of the Chapter 11 filing. Additionally, goods sold to Car Toys in the ordinary course of business that have been received within 20 days before the Chapter 11 filing will be granted administrative expense priority as a claim.

11. Why should I continue doing business with you now?

Our hope is that our vendors will be able to share in our businesses’ success as we continue to maintain and grow our client relationships with the support of new owners and a stronger financial foundation.

12. Can I change the terms of my current contracts?

No. There is no reason to change the terms of your contract. The automatic stay imposed in the Chapter 11 cases prohibits vendors or suppliers from taking such actions.

13. How do I know whether I am affected by the filing? How do I know if my claim is considered pre- or post-petition? What's the difference? When will I be paid for goods and services delivered before Car Toy's Inc.'s Chapter 11 filing? Is there anything I can do to expedite this process?

Goods and services delivered to any Car Toys, Inc. entity *on or after* August 18, 2025, the date of the Chapter 11 filing, are "post-petition," and we fully expect to pay for them in the ordinary course of business.

Goods and services that were delivered *prior* to our filing will be settled as part of the Chapter 11 process, as we cannot pay any of these "pre-petition" claims without specific approval from the bankruptcy court. Suppliers who have pre-petition claims will be provided with a proof-of-claim form to be completed and filed with the court. This form can also be found online at cases.stretto.com/CTI.

14. Are there any forms I need to complete or any other actions I need to take now to file my claim?

Vendors who have pre-petition claims will be provided with a proof-of-claim form to be completed and filed with the court. This form can also be found online at cases.stretto.com/CTI.

15. Will I be paid in full for my claim and when? Where do I stand in the order for repayment?

We cannot make any specific commitments on pre-petition claims at this stage. The process must be administered by the bankruptcy court in the repayment order dictated by U.S. bankruptcy law.

16. My company issued an invoice *after* the filing date for goods or services provided *prior* to the filing. Is it pre-petition or post-petition?

The determination of whether the claim is pre- or post-petition is based on the date of delivery, not on the date of the invoice. If goods or services were delivered to Car Toys, Inc. or an affiliate before August 18, 2025, the claim is considered pre-petition and will be settled as part of the Chapter 11 case. Payments for all other deliveries will be made in the normal course.

17. Can my company reissue an invoice to be dated after the filing to expedite payment?

No. The determination of whether the claim is pre- or post-petition is *based on the date of delivery, not on the date of the invoice*. If goods or services were delivered to Car Toys, Inc. or a subsidiary before August 18, 2025, the claim is considered pre-petition and will be settled as part of the Chapter 11 case. Payments for all other deliveries will be made in the normal course.