

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
SOURCE HOME ENTERTAINMENT, LLC, <i>et al.</i> , ¹)	Case No. 14-11553 (KG)
)	
Debtors.)	Jointly Administered
)	

**FIRST AMENDED DISCLOSURE STATEMENT FOR THE DEBTORS' FIRST AMENDED
JOINT PLAN OF LIQUIDATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

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Dated: January 12, 2015

¹ The Debtors, together with the last four digits of each Debtor's federal tax identification number, are: Source Home Entertainment, LLC (8517); Directou, Inc. (4741); RDS Logistics, LLC (0305); Retail Vision, LLC (2023); Source Interlink Distribution, LLC (3387); Source Interlink International, Inc. (1428); Source Interlink Manufacturing, LLC (7123); and Source Interlink Retail Services, LLC (6967). The location of the Debtors' corporate headquarters and the service address for all Debtors is: 27500 Riverview Center Boulevard, Suite 400, Bonita Springs, Florida 34134.

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS FIRST AMENDED DISCLOSURE STATEMENT (THE “DISCLOSURE STATEMENT”) TO CERTAIN HOLDERS OF CLAIMS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE DEBTORS’ FIRST AMENDED JOINT PLAN OF LIQUIDATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE (THE “PLAN”). NOTHING IN THIS DISCLOSURE STATEMENT MAY BE RELIED UPON OR USED BY ANY ENTITY FOR ANY OTHER PURPOSE. PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER ENTITLED TO VOTE SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN ARTICLE IX HEREIN.

THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX, OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND ALL OF THE ACTIONS NECESSARY TO EFFECTUATE THE PLAN. FURTHERMORE, THE BANKRUPTCY COURT’S APPROVAL OF THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS’ CHAPTER 11 CASES, AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE INCORPORATED BY REFERENCE HEREIN. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS’ MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A AND SECTION 21E OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). SUCH STATEMENTS MAY CONTAIN WORDS SUCH AS “MAY,” “WILL,” “MIGHT,” “EXPECT,” “BELIEVE,” “ANTICIPATE,” “COULD,” “WOULD,” “ESTIMATE,” “CONTINUE,” “PURSUE,” OR THE NEGATIVE THEREOF OR COMPARABLE TERMINOLOGY, AND MAY INCLUDE, WITHOUT LIMITATION, INFORMATION REGARDING THE DEBTORS’ EXPECTATIONS WITH RESPECT TO FUTURE EVENTS. FORWARD-LOOKING STATEMENTS ARE INHERENTLY UNCERTAIN AND ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER FROM THOSE EXPRESSED OR IMPLIED IN THIS DISCLOSURE STATEMENT AND THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN. MAKING INVESTMENT DECISIONS BASED ON THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AND/OR THE PLAN IS, THEREFORE, SPECULATIVE.

IN PREPARING THIS DISCLOSURE STATEMENT, THE DEBTORS RELIED ON FINANCIAL DATA DERIVED FROM THEIR BOOKS AND RECORDS OR THAT WAS OTHERWISE MADE

AVAILABLE TO THEM AT THE TIME OF SUCH PREPARATION AND ON VARIOUS ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES. ALTHOUGH THE DEBTORS BELIEVE THAT SUCH FINANCIAL INFORMATION FAIRLY REFLECTS THE FINANCIAL CONDITION OF THE DEBTORS AS OF THE DATE HEREOF AND THAT THE ASSUMPTIONS REGARDING FUTURE EVENTS REFLECT REASONABLE BUSINESS JUDGMENTS, NO REPRESENTATIONS OR WARRANTIES ARE MADE AS TO THE ACCURACY OF THE FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS REGARDING THE DEBTORS' BUSINESSES AND THEIR FUTURE RESULTS AND OPERATIONS. THE DEBTORS EXPRESSLY CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION, OR WAIVER. THE DEBTORS OR THE PLAN ADMINISTRATOR MAY SEEK TO INVESTIGATE, FILE, AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO, AND EXPRESSLY DISCLAIM ANY DUTY TO PUBLICLY UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS, OR OTHERWISE. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THIS DISCLOSURE STATEMENT WAS FILED. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. THE DEBTORS RESERVE THE RIGHT TO FILE AN AMENDED PLAN AND RELATED AMENDED DISCLOSURE STATEMENT FROM TIME TO TIME, SUBJECT TO THE TERMS OF THE PLAN.

CONFIRMATION AND CONSUMMATION OF THE PLAN ARE SUBJECT TO CERTAIN MATERIAL CONDITIONS PRECEDENT DESCRIBED IN ARTICLE IX OF THE PLAN. THERE IS NO ASSURANCE THAT THE PLAN WILL BE CONFIRMED OR, IF CONFIRMED, THAT SUCH MATERIAL CONDITIONS PRECEDENT WILL BE SATISFIED OR WAIVED. YOU ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING BUT NOT LIMITED TO THE PLAN AND ARTICLE IX OF THIS DISCLOSURE STATEMENT ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED BEFORE VOTING," BEFORE SUBMITTING YOUR BALLOT TO VOTE TO ACCEPT OR REJECT THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AND INTERESTS (INCLUDING THOSE HOLDERS OF CLAIMS OR INTERESTS WHO DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN, OR WHO ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND ANY TRANSACTIONS CONTEMPLATED THEREBY.

THE DEBTORS, THE COMMITTEE, AND THE TERM LOAN AGENT SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF CLAIMS WHOSE VOTES ARE BEING SOLICITED TO ACCEPT THE PLAN.

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EXHIBITS

EXHIBIT A Debtors' First Amended Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code

ARTICLE I.

INTRODUCTION

This first amended disclosure statement (this “Disclosure Statement”) provides information regarding the *Debtors’ First Amended Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code* (as may be amended, supplemented, or otherwise modified from time to time, the “Plan”), which the Debtors are seeking to have confirmed by the Bankruptcy Court.¹ A copy of the Plan is attached hereto as **Exhibit A**. The rules of interpretation set forth in Article I of the Plan shall govern the interpretation of this Disclosure Statement.

Each of the Debtors’ boards of managers or directors, sole member, or sole shareholder has approved the Plan and believes the Plan is in the best interests of the Debtors’ Estates. As such, the Debtors recommend that all Holders of Claims entitled to vote accept the Plan by returning their ballots (each, a “Ballot”) so as to be actually received by the Notice and Claims Agent no later than February 13, 2015, at 5:00 p.m. (prevailing Pacific Time). Assuming the requisite acceptances to the Plan are obtained, the Debtors will seek the Bankruptcy Court’s approval of the Plan at the Confirmation Hearing on February 20, 2015, at 9:00 a.m. (prevailing Eastern Time).

The privately-held Debtors were industry leaders in the manufacturing of front-end retail checkout displays and, up to shortly before the Petition Date, were one of the leading wholesale distributors of books, periodicals, and other printed material in North America. Headquartered in Bonita Springs, Florida, the Debtors were comprised of two primary units: (a) the distribution business (the “Distribution Business”), which was primarily operated by Source Interlink Distribution, LLC (“Source Distribution”); and (b) the retail checkout display manufacturing business (the “Retail Display Business”), which was primarily operated by Source Interlink Manufacturing, LLC (“Source Manufacturing”), and which the Debtors sold pursuant to the Sale Transaction.

A. *The Plan*

As more fully described below, the Debtors filed for chapter 11 bankruptcy protection on the Petition Date. The purpose of a chapter 11 bankruptcy case is to resolve the affairs of a debtor and distribute the proceeds of the debtor’s estate pursuant to a confirmed chapter 11 plan. To that end, the Debtors filed the Plan, the terms of which are more fully described herein, on October 6, 2014, and an amended version of the Plan on the date hereof. The Plan contemplates a liquidation of each of the Debtors and their Estates and is therefore referred to as a “plan of liquidation.” The primary objective of the Plan is to maximize the value of recoveries to all Holders of Allowed Claims and Allowed Interests and to distribute all property of the Estates that is or becomes available for distribution generally in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that the Plan accomplishes this objective and is in the best interest of the Estates and therefore seek to confirm the Plan.

Generally speaking, the Plan: (a) provides for the full and final resolution of certain funded debt obligations; (b) appoints a Plan Administrator to (i) wind down the Debtors’ businesses and affairs; (ii) pay and reconcile Claims; and (iii) administer the Plan in an efficacious manner; (c) implements the Global Resolution (as defined below), including the release of Avoidance Actions and Cash distributions from the GUC Reserve on a Pro Rata basis to Holders of Allowed General Unsecured Claims that are Participating GUC Holders (as defined below); and (d) provides for 100% recoveries for Holders of Allowed Administrative Claims, Priority Tax Claims, Professional Fee Claims, Other Priority Claims, Other Secured Claims, and Revolving Credit Facility Claims. The Debtors believe that Confirmation of the Plan will avoid the lengthy delay and significant cost of liquidation under chapter 7 of the Bankruptcy Code.

The Plan classifies Holders of Claims and Interests according to the type of the Holder’s Claim or Interest, as more fully described below. Only those Holders of Claims in Class 4 (Term Loan Claims) and Class 5 (General Unsecured Claims) are entitled to vote to accept or reject the Plan. Holders of Allowed Claims in Class 4 will receive Pro Rata distributions of the Term Loan Lender Assets on account of such Claims. Holders of Allowed

¹ Unless otherwise specified herein, capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Plan.

Claims in Class 5 that do not opt out of the third party release provided by Article VIII.E of the Plan (each, a “Participating GUC Holder”) will be released from any Avoidance Actions as set forth in the Plan and will also receive Cash in an amount equal to their Pro Rata share of the GUC Reserve on account of such Claims. Holders in Class 5 that exercise their right to opt out of such third party release (each, a “Non-Participating GUC Holder”) will be released from any Avoidance Actions as set forth in the Plan but will not receive any portion of the GUC Reserve.

B. *The Global Resolution*

The Debtors, the Committee, the Term Loan Lenders, the Revolving Lenders, Source Media, and other parties in interest have reached an agreement in principle to be implemented by the Plan (the “Global Resolution”) for a consensual settlement of issues and potential claims involving a number of parties that enables a distribution to certain Holders of Allowed General Unsecured Claims and otherwise facilitates the resolution of these Chapter 11 Cases. Generally, the Global Resolution, as implemented by the Plan, provides as follows.

- The GUC Reserve Funding Source will fund the GUC Reserve. The GUC Reserve shall be distributed Pro Rata to Holders of Allowed Class 5 Claims that are Participating GUC Holders. Participating GUC Holders shall also be released from any Avoidance Actions as set forth in the Plan.
- As more fully described in Article VIII.E of the Plan, each Participating GUC Holder will release certain claims and causes of action against certain parties, including (a) the Debtors, (b) the Revolving Credit Facility Agent (solely in such capacity) and Revolving Lenders (solely in such capacity), (c) the Term Loan Agent and Lenders, (d) Source Media, (e) the parties holding, or controlling the holders of, Interests in the Debtors and Source Media, (f) the past and present directors and officers of the Debtors and Source Media, (g) certain lenders to Source Media (subject to certain conditions as set forth in the Plan), (h) the Coral Springs Lender (subject to certain conditions as set forth in the Plan), and (i) each of the foregoing entities’ respective predecessors, successors and assigns, professionals, representatives, advisors, attorneys, financial advisors, and other agents.
- Non-Participating GUC Holders shall be released from any Avoidance Actions as set forth in the Plan, but shall not receive any portion of the GUC Reserve. On and/or the Effective Date, the GUC Reserve Amount, and/or any obligation to fund such amount, shall be reduced by the Pro Rata share of Allowed General Unsecured Claims held by Non-Participating GUC Holders pursuant to Article IV.F.3.(a) of the Plan.
- As more fully explained in Article VIII.F of the Plan, the Third Party Releasees shall provide mutual releases to each Participating GUC Holder.

The Global Resolution affords certain of the Third Party Releasees the right to elect not to fund the GUC Reserve Amount if and only if the Non-Participating GUC Holders include any of those creditors that have been selected by the Debtors, the Term Loan Agent, Source Media, and the Committee (collectively, the “Requisite Creditors”), provided that such election must be exercised no later than one Business Day prior to the start of the Confirmation Hearing by written notice to counsel for the Committee and counsel for the Debtors (the “GUC Funding Election”). The funding of the GUC Reserve Amount is, therefore, contingent. And, as provided in Article IX of the Plan, the non-exercise of the GUC Funding Election is a condition precedent to Confirmation of the Plan that cannot be waived by any party. That is, the Debtors will be unable to confirm the Plan if any of the Third Party Releasees exercise the GUC Funding Election.

The Debtors and the Committee believe that the Global Resolution is in the best interest the Estates, including Holders of General Unsecured Claims, and urge such Holders to vote to accept the Plan and to not opt of the Third Party Release, and thus receive their Pro Rata share of the GUC Reserve by becoming a Participating GUC Holder.

C. *The Adequacy of this Disclosure Statement*

Before soliciting acceptances of a proposed plan, section 1125 of the Bankruptcy Code requires a plan proponent to prepare a written disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of a chapter 11 plan. The Debtors submit this Disclosure Statement in accordance with such requirements. This Disclosure Statement includes, without limitation, information about:

- the Debtors' corporate history and structure, business operations, and prepetition capital structure and indebtedness (Article IV hereof);
- the events leading to the Chapter 11 Cases (Article V hereof);
- the significant pleadings Filed in the Chapter 11 Cases and certain relief granted by the Bankruptcy Court in connection therewith (Article VI hereof);
- the classification and treatment of Claims and Interests under the Plan, including identification of the Holders of Claims entitled to vote, the procedures for voting on the Plan, and projected recoveries (Articles II, III, VII, and VIII hereof);
- the method of distribution of any recoveries that may be available to certain Holders of Claims pursuant to the Plan, the process for resolving Disputed Claims, and other significant aspects of the Plan (Article VII hereof);
- the releases contemplated by the Plan that are integral to the Global Resolution and the overall settlement of Claims pursuant to the Plan (Article VII hereof);
- the statutory requirements for confirming the Plan (Article VIII hereof);
- certain risk factors that Holders of Claims should consider before voting to accept or reject the Plan and information regarding alternatives to Confirmation of the Plan (Article IX hereof); and
- certain United States federal income tax consequences of the Plan (Article X hereof).

In light of the foregoing, the Debtors believe that this Disclosure Statement contains "adequate information" to enable a hypothetical reasonable investor to make an informed judgment about the Plan and complies with all aspects of section 1125 of the Bankruptcy Code.

The Plan and all documents to be executed, delivered, assumed, and/or performed in connection with the Consummation of the Plan, including the documents to be included in the Plan Supplement, are subject to revision and modification from time to time prior to the Effective Date (subject to the terms of the Plan).

ARTICLE II.

TREATMENT OF CLAIMS AND INTERESTS

As set forth in Articles II and III of the Plan, and in accordance with sections 1122 and 1123(a)(1) of the Bankruptcy Code, all Claims and Interests (other than Administrative Claims, Priority Tax Claims, and Professional Fee Claims, which are unclassified Claims under the Plan) are classified into Classes for all purposes, including voting, Confirmation, and distributions pursuant to the Plan. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date.

The table below summarizes the treatment of all unclassified Claims under the Plan. The treatment and projected recoveries of unclassified Claims are described in summary form below for illustrative purposes only. To

the extent that any inconsistency exists between the summary contained in this Disclosure Statement and the Plan, the terms of the Plan shall govern.

Unclassified Claim	Plan Treatment	Projected Amount of Allowed Claims	Projected Plan Recovery
Administrative Claims	Unimpaired	\$1,200,000	100%
Priority Tax Claims	Unimpaired	\$300,000	100%
Professional Fee Claims	Unimpaired	\$1,600,000	100%

The table below summarizes the classification and treatment of all classified Claims and Interests under the Plan.²

The classification, treatment, and projected recoveries of classified Claims are described in summary form below for illustrative purposes only and are subject to material change. *Additionally, recoveries available to Holders of Claims are estimates and actual recoveries may materially differ based on, among other things, whether the amount of Claims actually Allowed exceeds the estimates provided below. In such an instance, the recoveries available to Holders of Allowed Claims could be materially lower when compared to the estimates provided below. To the extent that any inconsistency exists between the summaries contained in this Disclosure Statement and the Plan, the terms of the Plan shall govern.*

Class	Claim or Interest	Plan Treatment	Voting Rights	Projected Amount of Allowed Claims or Interests	Projected Plan Recovery
1	Other Priority Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	\$900,000	100%
2	Other Secured Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	\$14,400,000	100%
3	Revolving Credit Facility Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)	\$15,800,000	100%
4	Term Loan Claims	Impaired	Entitled to Vote	\$28,400,000	5%-10%
5	General Unsecured Claims	Impaired	Entitled to Vote	\$200,400,000- \$319,500,000	0%-2.5%

² As described below and in the Plan, the Debtors seek authority to substantively consolidate the Estates for all purposes associated with Confirmation and Consummation of the Plan.

Class	Claim or Interest	Plan Treatment	Voting Rights	Projected Amount of Allowed Claims or Interests	Projected Plan Recovery
6	Intercompany Claims	Impaired	Not Entitled to Vote (Deemed to Reject)	N/A	0%
7	Section 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)	\$0	0%
8	Intercompany Interests	Impaired	Not Entitled to Vote (Deemed to Reject)	N/A	0%
9	Holdings Interests	Impaired	Not Entitled to Vote (Deemed to Reject)	N/A	0%

Except to the extent that the Debtors and a Holder of an Allowed Claim or Interest, as applicable, agree to a less favorable treatment, such Holder shall receive under the Plan the treatment described below in full and final satisfaction, settlement, and release of and in exchange for such Holder's Allowed Claim or Interest. Unless otherwise indicated, each Holder of an Allowed Claim or Interest, as applicable, shall receive such treatment on the Effective Date or as soon as reasonably practicable thereafter, the timing of which shall be subject to the reasonable discretion of the Debtors or the Plan Administrator, as applicable.

A. *Class 1—Other Priority Claims*

1. *Classification:* Class 1 consists of any Other Priority Claims against any Debtor.
2. *Treatment:* Each Holder of an Allowed Class 1 Claim shall receive Cash in an amount equal to such Allowed Class 1 Claim.
3. *Voting:* Class 1 is Unimpaired. Holders of Allowed Class 1 Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Class 1 Claims are not entitled to vote to accept or reject the Plan.

B. *Class 2—Other Secured Claims*

1. *Classification:* Class 2 consists of all Other Secured Claims, including all Secured Tax Claims, against any Debtor.
2. *Treatment:* Each Holder of an Allowed Class 2 Claim shall receive, as the Debtors or the Plan Administrator, as applicable, determines:
 - (a) payment in full in Cash of such Holder's Allowed Other Secured Claim;
 - (b) the collateral securing such Holder's Allowed Other Secured Claim; or

(c) such other treatment rendering such Holder's Allowed Other Secured Claim Unimpaired in accordance with section 1124(1) or (2) of the Bankruptcy Code.

3. *Voting:* Class 2 is Unimpaired. Holders of Allowed Class 2 Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Class 2 Claims are not entitled to vote to accept or reject the Plan.

C. *Class 3—Revolving Credit Facility Claims*

1. *Classification:* Class 3 consists of any Revolving Credit Facility Claims.

2. *Treatment:* Each Holder of an Allowed Class 3 Claim shall receive the treatment set forth in Article IV.D of the Plan and have its Allowed Class 3 Claim rendered Unimpaired in accordance with section 1124(1) or (2) of the Bankruptcy Code.

3. *Voting:* Class 3 is Unimpaired. Holders of Allowed Class 3 Claims are conclusively presumed to have accepted the Plan under section 1126(f) of the Bankruptcy Code. Holders of Allowed Class 3 Claims are not entitled to vote to accept or reject the Plan.

D. *Class 4—Term Loan Claims*

1. *Classification:* Class 4 consists of all Term Loan Claims.

2. *Allowance:* Term Loan Claims shall be Allowed in the aggregate principal amount of \$27,858,488.37 as of October 10, 2014, plus any accrued but unpaid prepetition interest thereon payable at the applicable interest rate(s) in accordance with the Term Loan Agreement.

3. *Treatment:* Each Holder of an Allowed Class 4 Claim shall receive its Pro Rata share of the Term Loan Lender Distribution.

4. *Voting:* Class 4 is Impaired. Holders of Allowed Class 4 Claims are entitled to vote to accept or reject the Plan.

E. *Class 5—General Unsecured Claims*

1. *Classification:* Class 5 consists of all General Unsecured Claims against any Debtor.

2. *Treatment:* Each Holder of an Allowed Class 5 Claim shall receive, as applicable:

(a) If the Allowed Class 5 Claim is held by a Participating GUC Holder, such Holders will be released from any Avoidance Actions as set forth herein and will receive Cash in an amount equal to its Pro Rata share of the GUC Reserve; or

(b) If the Allowed Class 5 Claim is held by a Non-Participating GUC Holder, such Holders will be released from any Avoidance Actions as set forth herein but will not receive any distribution on account of such Allowed Class 5 Claim, and such Claim will be cancelled, released, and extinguished as of the Effective Date.

Notwithstanding anything to the contrary herein or in the Plan, no Holders of Claims, including, but not limited to, Secured Claims, Other Secured Claims, Administrative Claims, Priority Claims, Priority Tax Claims, Other Priority Claims, the Term Loan Deficiency Claim, Claims against or related to the D&O Policies or Claims for exculpation and/or indemnification, will receive a distribution from or share in the GUC Reserve except for Participating GUC Holders on account of their Allowed General Unsecured Claims. Source Media has acknowledged and agreed that its

General Unsecured Claim will not share in the GUC Reserve and will not receive any distribution under the Plan.

3. *Voting:* Class 5 is Impaired. Holders of Claims in Class 5 are entitled to vote to accept or reject the Plan.

F. *Class 6—Intercompany Claims*

1. *Classification:* Class 6 consists of all Intercompany Claims.
2. *Treatment:* Class 6 Claims will be canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and Holders of Class 6 Claims will not receive any distribution on account of such Class 6 Claims.
3. *Voting:* Class 6 is Impaired. Holders of Claims in Class 6 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

G. *Class 7—Section 510(b) Claims*

1. *Classification:* Class 7 consists of all Section 510(b) Claims.
2. *Treatment:* Class 7 Claims will be canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and Holders of Class 7 Claims will not receive any distribution on account of such Class 7 Claims.
3. *Voting:* Class 7 is Impaired. Holders of Claims in Class 7 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

H. *Class 8—Intercompany Interests*

1. *Classification:* Class 8 consists of all Intercompany Interests.
2. *Treatment:* Class 8 Interests will be canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and Holders of Class 8 Interests will not receive any distribution on account of such Class 8 Interests.
3. *Voting:* Class 8 is Impaired. Holders of Interests in Class 8 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

I. *Class 9—Holdings Interests*

1. *Classification:* Class 9 consists of all Holdings Interests.
2. *Treatment:* Class 9 Interests will be canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and Holders of Class 9 Interests will not receive any distribution on account of such Class 9 Interests.
3. *Voting:* Class 9 is Impaired. Holders of Interests in Class 9 are deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan.

ARTICLE III.

VOTING AND CONFIRMATION

On October 6, 2014, the Debtors Filed a motion [Docket No. 359] seeking entry of a proposed Disclosure Statement Order, and this amended version of the Disclosure Statement on the date hereof. On January 12, 2015, the Bankruptcy Court entered the Disclosure Statement Order [Docket No. 567].

A. *Classes Entitled to Vote on the Plan*

The following Classes are the only Classes entitled to vote to accept or reject the Plan (the “Voting Classes”):

Class	Claim	Status
4	Term Loan Claims	Impaired
5	General Unsecured Claims	Impaired

If your Claim or Interest is not included in one of the Voting Classes, you are not entitled to vote and you will not receive a Solicitation Package or a Ballot. If your Claim or Interest is included in one of the Voting Classes, you should read your Ballot and carefully follow the instructions set forth therein. Please use only the Ballot that accompanies this Disclosure Statement or the Ballot that the Debtors, or the Notice and Claims Agent on behalf of the Debtors, otherwise provide to you.

B. *Votes Required for Acceptance by a Class*

Under the Bankruptcy Code, acceptance of a plan of reorganization by a class of claims or interests is determined by calculating the amount and, if a class of claims, the number, of claims and interests voting to accept, as a percentage of the allowed claims or interests, as applicable, that have voted. Each Class of Claims entitled to vote on the Plan will have accepted the Plan if: (a) the Holders of at least two-thirds in dollar amount of the Claims actually voting in each Class vote to accept the Plan; and (b) the Holders of more than one-half in number of the Claims actually voting in each Class vote to accept the Plan.

C. *Certain Factors to Be Considered Prior to Voting*

There are a variety of factors that all holders of Claims entitled to vote on the Plan should consider prior to voting to accept or reject the Plan. These factors may impact recoveries under the Plan, including:

- the financial information contained in this Disclosure Statement has not been audited and is based on an analysis of data available at the time of the preparation of the Plan and this Disclosure Statement;
- although the Debtors believe that the Plan complies with all applicable provisions of the Bankruptcy Code, the Debtors can neither assure such compliance nor that the Bankruptcy Court will confirm the Plan;
- the Debtors may request Confirmation without the acceptance of all Impaired Classes entitled to vote in accordance with section 1129(b) of the Bankruptcy Code; and
- any delays of either Confirmation or Consummation could result in, among other things, increased Administrative Claims or Professional Fee Claims.

While these factors could affect distributions available to Holders of Allowed Claims under the Plan, the occurrence or impact of such factors will not necessarily affect the validity of the vote of Holders within the Voting Classes or necessarily require a re-solicitation of the votes of Holders of Claims in such Voting Classes.

For a further discussion of risk factors, please refer to Article IX hereof, entitled “Certain Risk Factors to be Considered Before Voting.”

D. *Classes Not Entitled to Vote on the Plan*

Under the Bankruptcy Code, holders of claims and interests are not entitled to vote if their contractual rights are unimpaired by the proposed plan, in which case they are conclusively presumed to accept the proposed plan, or if they will receive no property under the plan, in which case they are deemed to reject the proposed plan. Accordingly, the following Classes of Claims and Interests are not entitled to vote to accept or reject the Plan:

Class	Claim or Interest	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Presumed to Accept
2	Other Secured Claims	Unimpaired	Presumed to Accept
3	Revolving Credit Facility Claims	Unimpaired	Presumed to Accept
6	Intercompany Claims	Impaired	Deemed to Reject
7	Section 510(b) Claims	Impaired	Deemed to Reject
8	Intercompany Interests	Impaired	Deemed to Reject
9	Holdings Interests	Impaired	Deemed to Reject

E. *Solicitation Procedures*

1. *Solicitation Agent*

The Debtors retained Kurtzman Carson Consultants, LLC (“KCC”)—the Notice and Claims Agent—to act, among other things, as the solicitation agent in connection with the solicitation of votes to accept or reject the Plan.

2. *Solicitation Package*

Pursuant to the Disclosure Statement Order, Holders of Claims who are entitled to vote to accept or reject the Plan as of January 12, 2015 (the “Voting Record Date”), will receive appropriate solicitation materials (the “Solicitation Package”), which will include, in part, the following:

- the appropriate Ballot(s) and applicable voting instructions, together with a pre-addressed, postage pre-paid return envelope; and
- this Disclosure Statement, including the Plan as an exhibit thereto.

3. *Distribution of the Solicitation Package and Plan Supplement*

The Debtors will cause KCC to distribute the Solicitation Packages to Holders of Claims in the Voting Classes on or before January 16, 2015, which will be at least 28 days before the Voting Deadline (*i.e.*, 5:00 p.m. prevailing Pacific Time on February 13, 2015).

The Solicitation Package (except for the Ballots) may also be obtained: (a) from KCC by (i) visiting <http://www.kccllc.net/source>; (ii) writing to Source Home Entertainment, LLC, Ballot Processing Center, c/o KCC, 2335 Alaska Avenue, El Segundo, CA 90245; or (iii) calling (877) 759-8815; or (b) for a fee via PACER (except for Ballots) at <http://www.deb.uscourts.gov>.

At least fourteen (14) days prior to the Confirmation Hearing, the Debtors intend to file the Plan Supplement. If the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available at <http://www.kccllc.net/source>. The Debtors will not serve paper or CD-ROM copies of the Plan Supplement; however, parties may obtain a copy of the Plan Supplement (a) from KCC by (i) visiting <http://www.kccllc.net/source>; (ii) writing to Source Home Entertainment, LLC, Ballot Processing Center, c/o KCC, 2335 Alaska Avenue, El Segundo, CA 90245; or (iii) calling (877) 759-8815; or (b) for a fee via PACER (except for Ballots) at <http://www.deb.uscourts.gov>.

As described above, certain Holders of Claims may not be entitled to vote because they are Unimpaired or are otherwise presumed to accept the Plan under section 1126(f) of the Bankruptcy Code. In addition, certain Holders of Claims and Interests may be Impaired but are receiving no distribution under the Plan, and are therefore deemed to reject the Plan and are not entitled to vote. Such Holders will receive only the Confirmation Hearing Notice and a non-voting status notice. The Debtors are only distributing a Solicitation Package, including this Disclosure Statement and a Ballot to be used for voting to accept or reject the Plan, to the Holders of Claims or Interests entitled to vote to accept or reject the Plan as of the Voting Record Date.

F. *Voting Procedures*

If, as of the Voting Record Date, you are a Holder of a Claim in Class 4 or Class 5—the Voting Classes—you may vote to accept or reject the Plan in accordance with the Solicitation Procedures by completing the Ballot and returning it in the envelope provided. If your Claim or Interest is not included in one of the Voting Classes, you are not entitled to vote and you will not receive a Solicitation Package. Except as otherwise set forth herein, the Voting Record Date and all of the Debtors’ solicitation and voting procedures shall apply to all of the Debtors’ creditors and other parties in interest.

1. *Voting Deadline*

The Disclosure Statement Order established a deadline to vote on the Plan of February 13, 2015, at 5:00 p.m., prevailing Pacific Time (the “Voting Deadline”). To be counted as a vote to accept or reject the Plan, a Ballot must be properly executed, completed, and delivered, whether by first class mail, overnight delivery, or personal delivery, so that the Ballot is **actually received** by KCC no later than the Voting Deadline.

2. *Voting Instructions*

As described above, the Debtors have retained KCC to serve as the solicitation agent for purposes of the Plan. KCC is available to answer questions, provide additional copies of all materials, oversee the voting process, and process and tabulate Ballots for each Class entitled to vote to accept or reject the Plan.

BALLOTS
To be counted, all Ballots must be <u>actually received</u> by KCC by the Voting Deadline, which is February 13, 2015, at 5:00 p.m., prevailing Pacific Time, at the following address:
Source Home Entertainment, LLC Ballot Processing Center c/o KCC 2335 Alaska Avenue El Segundo, CA 90245
If you have any questions on the procedure for voting on the Plan, please call the Debtors’ restructuring hotline maintained by KCC at: (877) 759-8815

More detailed instructions regarding the procedures for voting on the Plan are contained on the Ballots distributed to Holders of Claims that are entitled to vote to accept or reject the Plan. All votes to accept or reject the

Plan must be cast by using the appropriate Ballot. All Ballots must be properly executed, completed, and delivered according to their applicable voting instructions by: (a) first class mail, in the return envelope provided with each Ballot; (b) overnight delivery; or (c) personal delivery, so that the Ballots are **actually received** by KCC no later than the Voting Deadline at the return address set forth in the applicable Ballot. Any Ballot that is properly executed by the Holder of a Claim entitled to vote that does not clearly indicate an acceptance or rejection of the Plan or that indicates both an acceptance and a rejection of the Plan will not be counted. Ballots received by facsimile or by electronic means will not be counted.

Each Holder of a Claim entitled to vote to accept or reject the Plan may cast only one Ballot for each Claim held by such Holder. By signing and returning a Ballot, each Holder of a Claim entitled to vote will certify to the Bankruptcy Court and the Debtors that no other Ballots with respect to such Claim have been cast or, if any other Ballots have been cast with respect to such Claim, such earlier Ballots are superseded and revoked.

All Ballots will be accompanied by postage prepaid return envelopes. It is important to follow the specific instructions provided on each Ballot, as failing to do so may result in your Ballot not being counted.

3. *Disputed Claims Procedures*

The Disclosure Statement Order authorizes the Debtors to temporarily allow Claims against which an objection is pending as of the Voting Record Date in an amount that the Bankruptcy Court deems appropriate for purposes of permitting the Holder of such Claim to vote to accept or reject the Plan. Pursuant to the Solicitation Procedures, if a Claim in a Voting Class is subject to an objection other than a “reduce and allow” objection that is filed with the Court on or prior to ten days before the Voting Deadline: (i) the Debtors shall cause the applicable Holder to be served with a disputed claim notice; and (ii) the applicable Holder shall not be entitled to vote to accept or reject the Plan on account of such Claim unless a Resolution Event (as defined below) occurs. The Holder of a Claim in a Voting Class that is the subject of a pending objection on a “reduce and allow” basis shall be entitled to vote such Claim in the reduced amount contained in such objection.

If a Claim in a Voting Class is subject to an objection other than a “reduce and allow” objection that is filed with the Court less than ten days before the Voting Deadline, the applicable Claim shall be deemed temporarily allowed *for voting purposes only*, without further action by the Holder of such Claim and without further order of the Bankruptcy Court, unless the Bankruptcy Court orders otherwise.

A “Resolution Event” means the occurrence of one or more of the following events no later than three days prior to the Voting Deadline: (i) an order of the Bankruptcy Court is entered allowing such Claim pursuant to section 502(b) of the Bankruptcy Code, after notice and a hearing; (ii) an order of the Bankruptcy Court is entered temporarily allowing such Claim *for voting purposes only* pursuant to Bankruptcy Rule 3018(a), after notice and a hearing; (iii) a stipulation or other agreement is executed between the Holder of such Claim and the Debtors resolving the objection and allowing such Claim in an agreed upon amount; (iv) a stipulation or other agreement is executed between the Holder of such Claim and the Debtors temporarily allowing the Holder to vote its Claim in an agreed upon amount; or (v) the pending objection is voluntarily withdrawn by the objecting party. No later than two Business Days following the occurrence of a Resolution Event, the Debtors shall cause KCC to distribute via email, hand delivery, or overnight courier service a Solicitation Package and a pre-addressed, postage pre-paid envelope to the relevant Holder.

G. *Plan Objection Deadline*

The Disclosure Statement Order established February 13, 2015, at 4:00 p.m., prevailing Eastern Time, as the deadline to object to Confirmation of the Plan (the “Plan Objection Deadline”). All objections to the Plan must be Filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the Disclosure Statement Order so that they are **actually received** on or before the Plan Objection Deadline.

H. *Confirmation Hearing*

Assuming the requisite acceptances are obtained for the Plan, the Debtors intend to seek Confirmation of the Plan at the Confirmation Hearing. The Disclosure Statement Order scheduled the Confirmation Hearing to commence on February 20, 2015, at 9:00 a.m., prevailing Eastern Time, before the Honorable Kevin Gross, United States Bankruptcy Judge, in Courtroom No. 3 of the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 6th Floor, Wilmington, Delaware 19801. The Confirmation Hearing may be continued from time to time without further notice other than an adjournment announced in open court or a notice of adjournment Filed with the Bankruptcy Court and served on the entities who have Filed objections to the Plan, without further notice to other parties in interest. The Bankruptcy Court, in its discretion and before the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing. The Plan may be modified, if necessary, before, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

ARTICLE IV.

BUSINESS DESCRIPTION

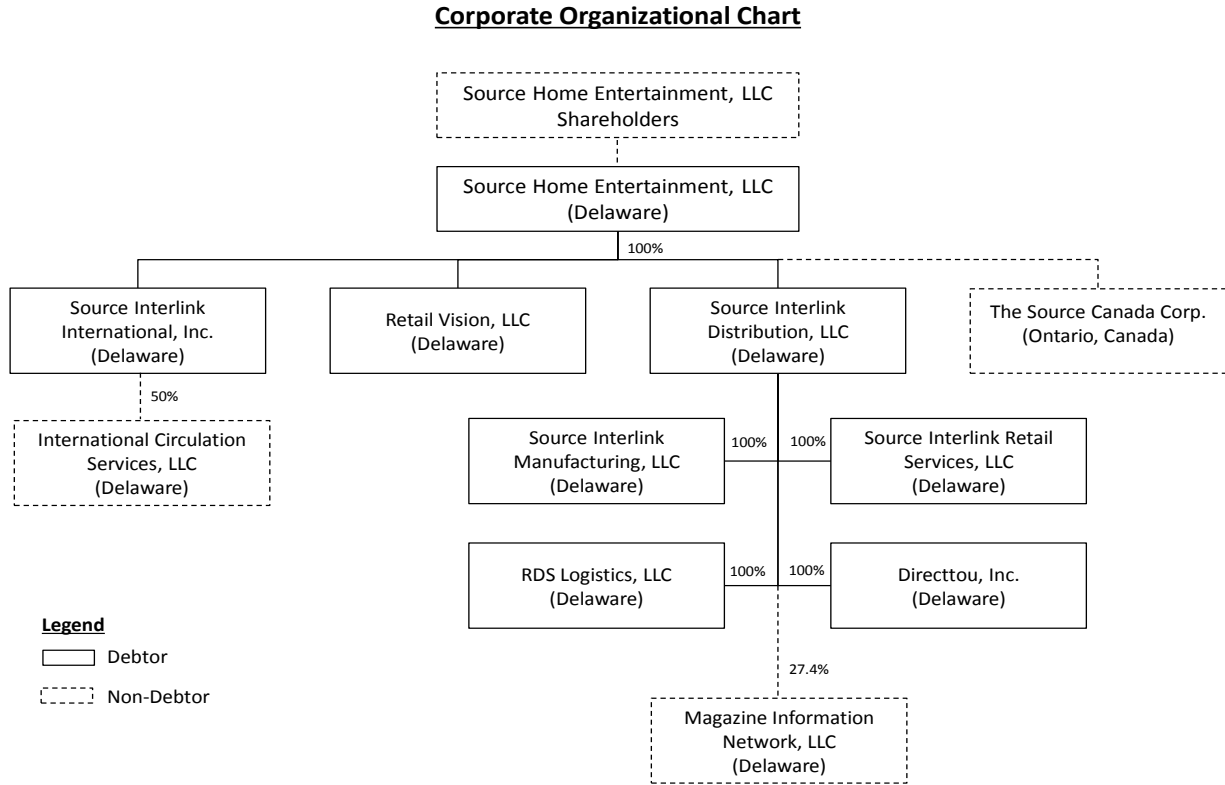
A. *Corporate History*

The Debtors and certain of their former Affiliates were founded in 1995. In 1997, the company changed its name to The Source Information Management Company, conducted its initial public offering, and became admitted for trading on the NASDAQ stock market. In 1998, the company positioned itself as a leader of direct magazine distribution, an information repository, and the preeminent front-end checkout management provider for major retail chains by acquiring ten magazine retail display companies. Following its acquisition of The Interlink Companies, Inc., another leading direct distributor of magazines, the company changed its name to Source Interlink Companies, Inc. in 2002. A series of transactions from 2002 until the October 2013 Restructuring (as defined below) resulted in a corporate structure in which the Debtors were the logistics and distribution business segment, with the other primary business division being Source Media. Source Media produces print and digital content for consumers in both North America and abroad under a variety of enthusiast brands, including *Motor Trend* and *Hot Rod*, via a number of media platforms, including print, digital, mobile applications, and social media.

Due to, in part, liquidity constraints and declining revenues, on April 27, 2009, certain of the Debtors and their then-Affiliates (collectively, the “2009 Debtors”) filed for chapter 11 protection with the Bankruptcy Court in cases consolidated under the caption *In re Source Interlink Companies, Inc.*, No. 09-11424 (KG) (Bankr. D. Del.). On April 28, 2009, the 2009 Debtors filed a prepackaged plan of reorganization (the “2009 Plan”) [Docket No. 17]. The 2009 Plan deleveraged the 2009 Debtors by approximately \$732 million, or about one-half of the 2009 Debtors’ funded debt obligations (the “2009 Restructuring”). On May 28, 2009, the Bankruptcy Court entered an order confirming the 2009 Plan [Docket No. 237], and the effective date of the 2009 Plan occurred on June 19, 2009, with the 2009 Debtors exiting chapter 11 on that date.

The Debtors continued to face operational and financial difficulties following their exit from bankruptcy in 2009. In October, 2013, on account of, among other things, decreased demand for print media and upcoming debt maturities, the company undertook a corporate reorganization (the “October 2013 Restructuring”) pursuant to which the Debtors were separated from Source Media while equitizing approximately \$436 million of debt pursuant to an out-of-court transaction with their secured lenders that, together with the 2009 Restructuring, resulted in many Holders of Holdings Interests acquiring their respective positions.

A graphical depiction of the Debtors' organizational structure appears below.



B. Products and Services

Prior to the Petition Date, through the Distribution Business, the Debtors operated a distribution network that spanned over 32,500 retail locations in the United States and internationally, including, among others, leading mass merchandise retailers, grocery stores, bookstore chains, drug stores, and other specialty retailers. In addition, through the Retail Display Business, the Debtors designed, manufactured, and installed front-end retail display fixtures and manage rebates and other sale incentive programs for certain retailer and publisher customers. As described in Article VI.D below, the Debtors sold the Retail Display Business pursuant to the Sale Transaction.

1. Distribution Business

Source Distribution and its subsidiaries were the Debtor entities primarily responsible for operating the Debtors' distribution network for domestic periodicals, including non-subscription magazine distribution, as well as offering certain in-store services to retailers and wholesalers in the United States and Canada. The Debtors operated distribution centers located in Lancaster, Pennsylvania, McCook, Illinois, and Ontario, California, as well as depots and warehouses throughout the United States and Canada. The Debtors' customers included many of the nation's leading retailers, such as Barnes & Noble, Wal-Mart, Costco, CVS, Safeway, Supervalu, Target, and Walgreens. The Debtors obtained the vast majority of their magazine distribution supply pursuant to agreements (the "Distribution Agreements") with four national distributors: (a) Comag Marketing Group, LLC; (b) Curtis Circulation Company, LLC ("Curtis"); (c) Kable Distribution Services, Inc.; and (d) Time/Warner Retail Sales & Marketing, Inc. ("TWRS"). As of 2014 and prior to the Debtors' wind down of the Distribution Business, the Debtors held approximately 30% market share of the single-copy magazine distribution market in the United States.

Source Interlink International, Inc. (“Source International”) was a leading international importer and exporter of periodicals. Source International exported domestic titles to more than 100 markets worldwide and imported more than 1,400 foreign titles to the United States and Canada. Through a 50% equity stake in a joint venture with Curtis called International Circulation Services, LLC (“ICS”), Source International also offered a global export marketing service for US publishers with a portfolio in excess of 700 titles and a reach that included key markets such as the United Kingdom, Continental Europe, the Far East, Australia, Mexico, the Caribbean, and overseas U.S. military installations. The Debtors’ international distribution network also used a series of domestic and international freight forwarding vendors to import and export their products, clear customs, and pay applicable taxes and tariffs.

2. *Retail Display Business*

Source Manufacturing primarily operated the Retail Display Business. Headquartered in Rockford, Illinois with approximately 101 employees, Source Manufacturing is the market-leading manufacturer of wire-based checkout displays, recognized for its expertise in the design, construction, shipping, and installation of custom wire fixtures and other retail front-end displays for major retail chains, supplying approximately 60% of the checkout fixtures in the United States. The Retail Display Business has remained profitable during the Chapter 11 Cases.

C. *Employees*

As of the Petition Date, the Debtors employed 166 full-time employees, many of which continue to service the Retail Display Business while the others are engaged in winding down the Distribution Business. The employees overseeing the Debtors’ wind-down efforts primarily have been tasked with providing accounting, finance, and information technology functions to bill customers and collect receivables, secure and sell assets, and wind down the Distribution Business in the near term, in addition to performing accounting and administrative functions in support of the Retail Display Business.

On or about May 30, 2014, the Debtors reduced their workforce upon the cessation of the Distribution Business, making the difficult decision to lay off more than 5,000 full- and part-time employees.³ In connection therewith, the Debtors terminated certain of their collective bargaining agreements. None of the Debtors’ active employees were subject to a collective bargaining agreement as of the Petition Date.

D. *Directors and Officers*

As of the date of this Disclosure Statement, the Debtors’ officers include: (a) Stephen Dubé, Chief Restructuring Officer, and (b) Joshua Korsower, Chief Financial Officer. Additionally, the members of the Holdings’ board of managers include: Greg Mays, Peter Nurge, Robert Guth, Steve Shapiro, Ted Lodge, John Forsgren, Michael Sullivan, and Robert Rosenberg. The Debtors appointed Robert Rosenberg as an independent manager to the Holdings board shortly after the Petition Date.

Holdings maintains a director and officer insurance program for the policy period September 26, 2013 to September 26, 2014, which is comprised of a primary policy issued by National Union Fire Insurance Company of Pittsburgh, PA and two excess policies issued by Chubb and Starr Indemnity & Liability Company. The three policies together provide \$25.5 million aggregate limits. Among other things, the D&O Policies provide what is commonly referred to as “Side A,” “Side B,” and “Side C” coverage. Subject to the D&O Policy’s terms and conditions, Side A coverage provides coverage to the directors and officers of Holdings and its subsidiaries for “Loss” arising from claims made against such directors and officers alleging any “Wrongful Act,” except when and to the extent that Holdings or its subsidiaries has indemnified such directors and officers. Side B coverage reimburses Holdings or its subsidiaries when the companies indemnify their directors and/or officers for claims that are otherwise covered under the D&O Policies. Side C coverage reimburses Holdings and its subsidiaries for claims made directly against the companies alleging any “Wrongful Act.” The Side A coverage does not have a deductible. Claims covered under Side B and Side C of the D&O Policies are subject to a \$100,000 deductible.

³ The staffing level discussed above reflects this reduction.

E. *Prepetition Capital Structure*

As of the Petition Date, the Debtors' consolidated long-term debt obligations totaled approximately \$65.1 million and consisted of, among other things, the Revolving Credit Facility, the Term Loan Facility, the Coral Springs Mortgage, and the Time Promissory Note. As of the Petition Date, the Debtors' funded debt obligations were:

Debt Obligation	Amount Outstanding (\$ millions)
Revolving Credit Facility	\$ 0.0
Term Loan Facility	\$ 51.9
Coral Springs Mortgage	\$ 12.6
Time Promissory Note	\$ 0.6
Total:	\$ 65.1

1. *The Revolving Credit Facility*

Each Debtor is party to the Revolving Credit Agreement. The Revolving Credit Agreement provided the Debtors with a revolving asset based loan credit and letter of credit facility with a maturity date of October 4, 2016 and maximum availability of \$35 million, subject to a monthly borrowing base determination (the "Revolving Credit Facility"). As of the Petition Date, there were no borrowings under the Revolving Credit Facility.

In connection with the Revolving Credit Facility, the Debtors have obtained certain Letters of Credit, the entirety of which are scheduled to expire by the end of June 2015, to provide credit support for, among other things, the Debtors' workers' compensation obligations. As of the Petition Date, approximately \$17.3 million under the Letters of Credit was undrawn and outstanding. Obligations arising under the Revolving Credit Facility are secured by substantially all of the Debtors' assets, subject to the Intercreditor Agreement, as well as the below-described Revolving Cash Reserve.

Prior to the Petition Date, the Revolving Credit Facility Agent withheld approximately \$18.5 million of the Debtors' cash—the Revolving Cash Reserve—which collateralized approximately 105% of the aggregate face amount of all obligations outstanding under the Revolving Credit Facility as of the Petition Date, including, without limitation, the Letters of Credit.

2. *The Term Loan Facility*

Each Debtor is party to the Term Loan Agreement. The Term Loan Agreement provided the Debtors with a term loan in the aggregate amount of \$50 million that matures on October 4, 2018 (the "Term Loan Facility"). As of the Petition Date, approximately \$51.9 million in aggregate principal amount was outstanding under the Term Loan Facility.

Amortization under the Term Loan Facility is approximately \$1 million per year, and interest is payable quarterly at approximately 8.0% per annum in cash or in-kind at the Debtors' election. Obligations arising under the Term Loan Facility are secured by substantially all of the Debtors' assets, subject to the Intercreditor Agreement.

3. *The Intercreditor Agreement*

Each of the Debtors, the Revolving Credit Facility Agent, and the Term Loan Agent are party to the Intercreditor Agreement. The Intercreditor Agreement divides the shared collateral under the Revolving Credit Facility and the Term Loan Facility into two pools consisting generally of: (a) the Debtors' stock, equipment, real estate assets and fixtures (subordinate to any mortgages on such real estate assets and fixtures), and general

intangibles (relating to such stock, equipment, and real estate assets and fixtures) (collectively, the “Fixed Asset Collateral”); and (b) all of the Debtors’ other assets or property, whether real, personal, or mixed (collectively, the “Current Asset Collateral”). The Intercreditor Agreement grants: (x) the Term Loan Lenders (i) a first priority Lien on the Fixed Asset Collateral and (ii) a second priority Lien on the Current Asset Collateral; and (y) the Revolving Lenders (i) a first priority Lien on the Current Asset Collateral and (ii) a second priority Lien on the Fixed Asset Collateral. The Intercreditor Agreement also imposes certain limitations on, among other things, the rights and remedies available to the collateral agents in an event of default and the ability of the collateral agents to challenge the validity or priority of each other’s Liens.

4. *Coral Springs Mortgage*

Source Distribution is party to a loan agreement and related promissory note, dated as of October 12, 2005, by and between Source Distribution and Wachovia Bank, National Association (“Wachovia”), in the amount of approximately \$20 million (the “Coral Springs Loan”). The Coral Springs Loan matures on October 13, 2015 and is secured by a mortgage and security agreement, dated as of October 12, 2005, by and between Source Distribution and Wachovia, on the real property located at 4250 Coral Ridge Drive, Coral Springs, Florida (the “Coral Springs Mortgage”). Wells Fargo Bank, National Association (as the successor in interest to Wachovia as lender under the Coral Springs Loan, the “Coral Springs Lender”) is the current holder of the Coral Springs Loan and the Coral Springs Mortgage. The Coral Springs Mortgage is guaranteed by TEN: The Enthusiast Network, Inc. (f/k/a Source Interlink Companies, Inc.) (“TEN”) and its subsidiaries and affiliates pursuant to that certain Guaranty, dated as of October 4, 2013, by and between TEN and the Coral Springs Lender. As of the Petition Date, approximately \$12.6 million remained outstanding under the Coral Springs Loan. The Coral Springs property has been marketed for sale since June 2010, and the Debtors continue to assess whether its appraisal value meets or exceeds amounts owed under the Coral Springs Loan. Generally speaking, to the extent the value of the real property securing the Coral Springs Loan is insufficient to satisfy in full the Coral Springs Lender’s Claim related thereto, such Claim would bifurcate as a Class 2 Other Secured Claim up to the value of the real property and a Class 5 General Unsecured Claim for the deficiency in accordance with section 506 of the Bankruptcy Code. The treatment of such Claims under the Plan is described herein, and the rights of the Coral Springs Lender to assert its rights or otherwise object in accordance with the Bankruptcy Code and the Bankruptcy Rules, and the Debtors’ and the Committee’s right to respond to such an assertion or objection, are reserved.

5. *Time Promissory Note*

On May 10, 2005, Source Distribution issued an unsecured promissory note in the amount of approximately \$9.1 million to TWRS (the “Promissory Note”). Interest on the Promissory Note accrues at 5.00% per annum, and obligations under the Promissory Note matured on August 31, 2014. The Promissory Note is guaranteed by TEN pursuant to that certain Guarantee Agreement, dated as of May 10, 2005, by and between TEN and TWRS. As of the Petition Date, approximately \$600,000 remained outstanding under the Promissory Note.

ARTICLE V.

EVENTS LEADING TO THE CHAPTER 11 CASES

A number of factors plagued the Debtors in the years prior to the Petition Date—namely, the lingering effects of the global economic recession, decreased consumer demand for print periodicals, narrow margins on retail sales, and highly unfavorable Distribution Agreements. Although the Debtors emerged from the October 2013 Restructuring with substantially less debt, the Debtors’ actual performance did not meet their business plan and financial forecasts. Many of the factors that resulted in the Debtors commencing the Chapter 11 Cases are discussed below.

A. *Challenging Operating Environment*

Consumer demand for print media has declined precipitously—as evidenced by the recent returns to bankruptcy for both Reader’s Digest Association, Inc. and Houghton Mifflin Harcourt Publishing Company, as well as chapter 11 filings by Borders Group, Inc., Dex One Corporation, American Media, Inc., and chapter 7 filings by,

among others, Anderson News Group, Inc.⁴—while consumption of online and digital content has increased exponentially. Two of the largest legacy print platforms—newspapers and magazines—have experienced year-over-year revenue declines since 2009 due to the continuing and fundamental technological shift away from traditional consumption of print media and toward online magazines and e-book readers. Readers are migrating quickly to digital and mobile platforms, a move that has accelerated with the proliferation of tablets and smart phones. This migration has been compounded by the sluggish growth of the U.S. economy and consumers’ reluctance to spend on print media. The decline in overall demand for print media also led to increased competition for retailer customers among wholesale distributors. Indeed, over the course of just 19 years, the number of wholesalers in the Debtors’ industry fell from approximately 400 in 1995 to just three major wholesalers in 2014, including the Debtors.

The Debtors also experienced a number of operational setbacks. In 2011, for instance, Borders Group, Inc., a key customer, filed for bankruptcy and liquidated their stores, representing a \$48 million reduction in revenue for Source Distribution and a corresponding \$6 million decline in EBITDA. Kroger and Albertsons, other key customers, moved their magazine supply and in-store merchandising to competitor wholesalers. These customer-specific issues were exacerbated by, among other things, increases in the costs of fuel and other raw materials, continued same store sales declines for Source Distribution, lower worldwide sales by Source International, and lower-than-expected profitability from Source Manufacturing.

These developments negatively impacted the Debtors’ revenue, which declined from approximately \$824.5 million in 2010 to approximately \$600 million in 2014. Meanwhile, the Debtors faced challenges in recalibrating their operating costs to declining business volumes. For example, falling sales of individual titles did not result in fewer deliveries or proportionate reductions in the number of containers shipped to a store. This negative impact on the Debtors’ cash flow constrained their ability to invest in necessary capital expenditures and service their debt obligations. At the same time, the Debtors were unable to raise prices or reduce the number of publications they purchased to offset the high fixed costs and declining revenues because publishers and national distributors set both the amount of magazines a wholesaler must purchase as well as the magazine cover prices under certain distribution agreements.

B. *The Distribution Agreements*

In addition to the challenging operating environment, the Debtors also were saddled with unsustainable Distribution Agreements. Among other things, the Distribution Agreements allowed suppliers to impose an artificially high volume of magazines upon the Debtors—amounts vastly greater than would ever be sold at retail—and the Debtors’ inability to manage the resulting economic and operational difficulties drained the Debtors of the liquidity necessary to run the Distribution Business efficiently and profitably.

Typically, major publishers publish magazines and set their cover prices. To effectuate single-copy magazine sales, each publisher retains a national distributor to serve as a broker whose function is to manage the publisher’s relationships with its wholesalers and, in some cases, guarantee the wholesalers’ payment obligations to the publisher. National distributors are compensated with a percentage of the retail sales value of the magazines they deliver to wholesalers. Pursuant to allotment orders provided by the national distributor, the publishers’ magazines are shipped to wholesalers, who, in turn, ship the magazines to retailers. Wholesalers are responsible for merchandising (display and removal), picking up, transporting, counting, tabulating, and destroying copies of magazines that remain unsold. Wholesalers, like the Debtors, can be forced to absorb the cost for unsold products which were accidentally destroyed or lost by a retailer (commonly referred to as “shrink” in the industry) under distribution agreements.

This process engendered gross market inefficiencies. For example, because a national distributor would fix the number of magazines or other printed material the Debtors had to purchase under the Distribution Agreements,

⁴ See *In re RDA Holding Co.*, No. 13-22233 (Bankr. S.D.N.Y.); *In re Houghton Mifflin Harcourt Publ’g Co.*, No. 12-15610 (Bankr. S.D.N.Y.); *In re Borders Grp., Inc.*, No. 11-10614 (Bankr. S.D.N.Y.); *In re Dex One Corp.*, No. 13-10533 (Bankr. D. Del.); *In re Am. Media, Inc.*, No. 10-16140 (Bankr. S.D.N.Y.); and *In re Anderson News, LLC*, No. 09-10695 (Bankr. D. Del.).

publishers and national distributors would flood a marketplace with quantities of magazines that far exceeded what is sold in fact by a retailer to ensure broader retail display of their products. The Debtors and their retailer customers were then forced to purchase, transport, and carry a glut of magazines that would not be sold. To offset the costs of over-purchasing these products, the Debtors and their retailers took return credits against their next purchase for unsold product. However, the Debtors could only take advantage of these return credits if, at their own cost, they collected unsold inventory from each retail location, transported them back to a distribution center or other location, processed the returns, and then destroyed the product—an expensive and time-consuming process.

C. *Prepetition Restructuring Efforts and Wind Down*

As described in Article IV.A hereof, the Debtors consummated an out-of-court restructuring transaction in October 2013 to right-size their capital structure and reorganize the Distribution Business and Retail Display Business into separate corporate structures. Following the October 2013 Restructuring, the Debtors implemented a new business plan to combat the prevailing economic environment and issues under the Distribution Agreements by, among other things, adding new retailer customers, expanding their Retail Display Business and merchandising services business, and reducing operating costs. While certain of the Debtors' business initiatives achieved operating improvements, the Debtors were unable to overcome the inability to operate profitably under the existing Distribution Agreements. Faced with a series of liquidity crises and the prospect of being unable to continue operations under their existing Distribution Agreements, the Debtors and their advisors engaged their national distributors and publishers to modify the Distribution Agreements.

Beginning in January 2014 and continuing for four months thereafter, the Debtors and their four largest national distributors and certain publishers they represent held extensive negotiations to restructure the Distribution Agreements. By May 2014, the Debtors had reached agreements in principle with certain of their national distributors and were in the process of finalizing term sheets and drafting definitive documentation with certain other industry participants that would have provided the Debtors with additional liquidity and a feasible path forward for the Distribution Business. But, on May 25, 2014, without notice and at a time when the Debtors believed a fully-negotiated term sheet was close to execution, the Debtors' largest national distributor and related publisher—an economically indispensable business partner—abruptly withdrew from all negotiations, terminated the applicable Distribution Agreement, and thereafter ceased transacting business with the Debtors.

Without a Distribution Agreement with their largest national distributor and publisher—and despite substantial progress in their negotiations with other critical business partners—the Debtors operating the Distribution Business simply were unable to continue as going concerns. Accordingly, the Debtors immediately began winding down their distribution operations, making the difficult determination to lay off more than 5,000 employees. At the same time, the Debtors entered into discussions with the Revolving Credit Facility Agent regarding the Debtors' consensual use of cash collateral to help fund a chapter 11 case and potential sale process. Despite efforts by both parties, these negotiations ultimately were unsuccessful, and the Revolving Credit Facility Agent withheld approximately \$12 million of the Debtors' cash. As noted above, together with approximately \$6.5 million of cash previously withheld, the Revolving Credit Facility Agent was cash collateralized as of the Petition Date in an amount equal to approximately 105% of the aggregate face amount of obligations outstanding under the Revolving Credit Facility.

D. *The Purchase Agreement*

As described below, in connection with the Debtors' prepetition efforts to wind down the Distribution Business, the Debtors explored and negotiated various restructuring transactions to maximize stakeholder value. In particular, the Debtors engaged in extensive arm's-length discussions with the Term Loan Lenders regarding the potential sale of the Retail Display Business. These discussions culminated in the parties' entry into the Purchase Agreement, whereby the Term Loan Lenders agreed to serve as a stalking horse for the sale of the Retail Display Business pursuant to an open and robust sale process. On June 23, 2014, the Debtors commenced the Chapter 11 Cases primarily to effectuate the sale of the Retail Display Business and wind down the Distribution Business.

ARTICLE VI.

EVENTS OF THE CHAPTER 11 CASES

A. *First Day Pleadings and Other Case Matters*

1. *First and Second Day Relief*

The Debtors Filed on, or shortly after, the Petition Date certain motions and applications requesting various types of “first day” and “second day” relief. The relief granted enabled the Debtors to preserve value and efficiently administer the Chapter 11 Cases, including, among other things: (a) an order authorizing the Debtors to use cash collateral during the Chapter 11 Cases and granting certain adequate protection to certain secured parties [Docket No. 162]; (b) an order authorizing the Debtors to continue using their existing cash management system, honor certain prepetition obligations related thereto, maintain existing business forms, and continue to perform intercompany transactions [Docket No. 42]; (c) orders authorizing payment on account of prepetition Claims of certain critical vendors, shippers, lienholders, 503(b)(9) claimants, and taxing authorities [Docket Nos. 37, 40, 139]; (d) an order directing joint administration of the various Debtors’ Chapter 11 Cases [Docket No. 35]; (e) an order granting authority to pay employees’ wage Claims and related obligations in the ordinary course of business and continue certain employee benefit programs [Docket No. 41]; (f) an order approving procedures for, among other things, determining adequate assurance for utility providers, prohibiting utility providers from altering, refusing, or discontinuing services, and determining that the Debtors are not required to provide additional adequate assurance [Docket No. 138]; (g) an order establishing procedures for the sale, transfer, and abandonment of certain de minimis assets [Docket No. 146]; and (h) an order granting authority to pay their obligations under insurance policies entered into prepetition, continue paying brokerage fees, and renew, supplement, modify, and purchase insurance coverage in the ordinary course of business [Docket No. 39].

2. *Retention of Chapter 11 Professionals*

To assist the Debtors in carrying out their duties as debtors-in-possession and to otherwise represent the Debtors’ interests in the Chapter 11 Cases, the Bankruptcy Court entered Final Orders authorizing the Debtors to retain and employ the following professionals: (a) Kurtzman Carson Consultants LLC, as the Notice and Claims Agent and administrative advisor for the Debtors [Docket Nos. 36, 141]; (b) Kirkland & Ellis LLP, as counsel to the Debtors [Docket No. 142]; (c) Young Conaway Stargatt & Taylor, LLP, as co-counsel to the Debtors [Docket No. 143]; and (d) FTI Consulting, Inc., to provide a Chief Restructuring Officer, a Chief Financial Officer, and certain additional personnel [Docket No. 176]. On July 21, 2014, the Bankruptcy Court entered an order approving procedures for the interim compensation and reimbursement of expenses of retained professionals [Docket No. 159]. The Bankruptcy Court also granted the Debtors the authority to retain and compensate certain professionals utilized by the Debtors in the ordinary course of business [Docket No. 144].

3. *Appointment of Official Committee of Unsecured Creditors*

On July 10, 2014, the Office of the U.S. Trustee appointed the Committee [Docket No. 107]. The members of the Committee are: (a) Time Inc. Retail f/k/a Time Warner Retail Sales & Marketing, Inc.; (b) BGI Creditors’ Liquidating Trust; (c) Kable Distributors Services, Inc.; (d) Heinrich Bauer USA, LLC; (e) Teamsters Health & Welfare & Pension Funds of Phila. & Vic.; (f) United Wire, Metal & Machine Pension Fund; and (g) Walgreen Co.

On August 18, 2014, the Bankruptcy Court entered orders approving the Committee’s retention of Lowenstein Sandler LLP as counsel [Docket No. 221], Duane Morris LLP as counsel [Docket No. 220], and PricewaterhouseCoopers LLP as financial advisor [Docket No. 219].

B. *Claims Bar Date*

On August 22, 2014, the Debtors Filed the Schedules [Docket Nos. 234-241] pursuant to section 521 of the Bankruptcy Code and in accordance with the Bankruptcy Court’s order [Docket No. 140]. On September 25, 2014, the Debtors filed amended Schedules for certain of the Debtors [Docket Nos. 329-332].

The Bankruptcy Code allows the Bankruptcy Court to fix the time within which Proofs of Claim must be Filed in the Chapter 11 Cases. Any creditor whose Claim is not scheduled in the Schedules or whose Claim is scheduled as disputed, contingent, or unliquidated must File a Proof of Claim.

On July 31, 2014, the Debtors Filed a motion requesting the Bankruptcy Court to enter an order approving, among other things: (a) October 3, 2014, at 5:00 p.m. prevailing Pacific Time (the “General Claims Bar Date”) as the deadline for all non-Governmental Units to File Claims in the Chapter 11 Cases; (b) December 22, 2014, at 5:00 p.m. prevailing Pacific Time as the deadline for all Governmental Units to File Claims in the Chapter 11 Cases; (c) October 10, 2014, as the deadline to request allowance of certain Administrative Claims; (d) procedures for Filing Proofs of Claim; and (e) the form and manner of notice of the bar dates [Docket No. 188]. On August 19, 2014, the Bankruptcy Court granted such relief [Docket No. 218].

As of the General Claims Bar Date, approximately 937 Proofs of Claim were timely Filed in the Chapter 11 Cases asserting a total of approximately \$423,866,936, plus unliquidated amounts. The Debtors are currently reviewing these Proofs of Claim to determine whether the asserted Claims should be Allowed, and if so, in what amount and priority. The Debtors or the Plan Administrator may file objections to certain Claims that they believe should not be Allowed in the amount or priority asserted in the relevant Proofs of Claim.

C. *WARN Adversary Proceeding*

On June 23, 2014, certain former employees of the Debtors commenced an adversary proceeding (the “WARN Adversary Proceeding”) styled as *Michaela Tomasch, et al. v. Source Interlink Distribution, LLC, et al.*, Case No. 14-50411 (Bankr. D. Del. 2014) asserting claims against the Debtors arising under the Worker Adjustment and Retraining Notification Act, 29 U.S.C. § 2101 *et seq.* (the “WARN Act”) and related state law. The WARN plaintiffs filed an amended class action complaint on July 2, 2014 [Adv. Pro. Docket No. 3] seeking, in part, a determination that their claims be treated as Allowed Administrative Claims and General Unsecured Claims in an unspecified amount.

On August 7, 2014, the Debtors filed an answer to the amended complaint [Adv. Pro. Docket No. 5] denying many of the allegations set forth in the complaint. On August 29, 2014, the Debtors filed a motion [Docket No. 259] requesting that the Bankruptcy Court estimate the value of the Claims asserted by the class in the WARN Adversary Proceeding. On September 16, 2014, the Bankruptcy Court entered an order [Adv. Pro. Docket No. 17] certifying a class of plaintiffs. On November 6, 2014, the Bankruptcy Court entered an order preliminarily approving a settlement of the WARN Adversary Proceeding (the “WARN Settlement”) [Docket No. 454]. Pursuant to the WARN Settlement, the Debtors will pay \$675,000 into a settlement fund, the proceeds of which will be distributed to members of the certified class. In return, members of the certified class will provide certain customary releases. Class members had an opportunity to opt out of the class and the settlement, and only one member chose to opt out. On December 18, 2014, the Bankruptcy Court entered an order (the “WARN Settlement Order”) approving the WARN Settlement on a final basis [Docket No. 531]. Class members shall receive the treatment specified in the WARN Settlement as attached to the WARN Settlement Order as Exhibit A on account of their Claims, if any.

D. *The Sale Transaction*

A key event of these Chapter 11 Cases was the Sale Transaction. Prior to the Petition Date, the Debtors engaged in arm’s-length negotiations with the Term Loan Lenders regarding a potential sale of substantially all of the assets of the Retail Display Business. These negotiations culminated with the execution of that certain asset purchase agreement, dated June 22, 2014, by and among the Debtors and Cortland Capital Market Services LLC⁵ (as may be amended, supplemented, or otherwise modified from time to time, the “Purchase Agreement”). On June 30, 2014, the Debtors Filed a motion [Docket No. 77] (the “Bidding Procedures Motion”) seeking, in part, approval of bidding procedures for a sale of the Retail Display Business through an auction pursuant to section 363 of the Bankruptcy Code. On July 21, 2014, the Bankruptcy Court entered an order [Docket No. 160] (the “Bidding Procedures Order”) approving the Bidding Procedures Motion and related sale procedures. The Bidding Procedures

⁵ Cortland Capital Market Services LLC (“Cortland”) is the Term Loan Agent and the Purchaser.

Order established, among other things, Cortland as the stalking horse bidder. The Debtors continued to market the Retail Display Business in order to obtain Qualified Bids (as defined in the Bidding Procedures Order), but were unable to do so prior to the September 12, 2014 bid deadline despite the Debtors' best efforts. Accordingly, the sale transaction contemplated by the Purchase Agreement was the successful bid. Pursuant to the Purchase Agreement:⁶

- the Purchaser credit bid \$24 million of its secured claims under the Term Loan Facility in exchange for substantially all of the assets comprising the Retail Display Business and \$4 million in cash and cash equivalents, subject to certain adjustments;
- the Purchaser assumed certain material liabilities in connection with the Retail Display Business, including certain cure obligations and employee- and payroll-related liabilities; and
- the Retail Display Business has continued to operate for the benefit of all interested parties, including its employees.

On September 19, 2014, the Bankruptcy Court held a hearing to consider the Sale Transaction and entered an order [Docket No. 319] approving same. The Debtors worked diligently with the Purchaser to consummate the Sale Transaction, and closed the Sale Transaction on October 10, 2014. *See* [Docket No. 391]. Pursuant to a stipulation among the Debtors and the Committee and approved by the Bankruptcy Court [Docket No. 303], the Committee has reserved certain rights in respect of the Debtors' real estate located in Rockford, Illinois that is subject to the Sale Transaction, which reserved rights may affect recoveries for Holders of Allowed General Unsecured Claims.

E. *Settlements and De Minimis Sales*

During the pendency of the Chapter 11 Cases, the Debtors have entered into various settlements and disposed of certain of their *de minimis* assets. Material settlements and asset sales include, in part:

- a settlement by and among the Debtors, TEN, Source Interlink Media, LLC, and The Variable Annuity Life Insurance Company ("VALIC"), which approved the rejection of a lease and sublease on the Debtors' leased office space located in Bonita Springs, Florida, entry into a new rent-free lease on the premises, payment by VALIC to the Debtors of \$350,000, and the transfer to VALIC of certain of the Debtors' furniture, fixtures, and equipment located on the premises, which was approved by the Bankruptcy Court on September 18, 2014 [Docket No. 314] and later consummated by the Debtors;
- a sale of certain assets located at the Debtors' leased facility in Ontario, California, by the Debtors to Prologix Distribution Services (West), LLC for approximately \$850,000 [Docket No. 273];
- an agreement between Holdings and TEN agreeing to the allocation of tax attributes related to certain net operating losses generated prior to the October 2013 Restructuring in exchange for a \$100,000 payment from TEN to Holdings, which was approved by the Bankruptcy Court on October 8, 2014 [Docket No. 373];

⁶ The Purchase Agreement—*see* Docket No. 319—controls the terms of the Sale Transaction. In the event of any conflict between the summary provided in this Disclosure Statement and the Purchase Agreement, the terms of the Purchase Agreement shall control.

- the liquidation of certain assets at the Debtors' facilities in McCook, Illinois and Lancaster, Pennsylvania, by Reich Brothers, LLC, whose retention as a sale agent for the Debtors was approved by the Bankruptcy Court [Docket No. 367]. Such sales resulted in net proceeds for the Debtors' Estates of approximately \$673,668.12;
- the sale of the Debtors' property in Jamestown, New York, for net proceeds of approximately \$103,960; and
- the termination of the Debtors' interest in The Magazine Information Network LLC for a payment of \$150,000.

F. *Negotiation of the Global Resolution*

The Debtors, the Committee, the Term Loan Lenders, the Revolving Lenders, and Source Media have engaged in substantial, arm's-length negotiations over the last few months to resolve various interrelated disputes between the parties in a manner that would enable a distribution to Holders of Allowed General Unsecured Claims. By November 2014, these negotiations led to the Global Resolution, the essential terms of which are set forth in Article I.B hereof.

The Global Resolution is predicated on the Requisite Creditors supporting the Plan and not opting out of the Third Party Release. To that end, the Debtors, the Committee, and other parties in interest have engaged the Requisite Creditors over the past six weeks to discuss the terms of the Global Resolution and obtain support therefor. Almost all of the Requisite Creditors have indicated such support, and none of the Requisite Creditors have stated that they will not support the Global Resolution. The Debtors therefore believe that the Requisite Creditors will be Participating GUC Holders. Nevertheless, certain of the Third Party Releasees have the right until one Business Day before the Confirmation Hearing to elect not to fund the GUC Reserve Amount to the extent any Requisite Creditor is a Non-Participating GUC Holder. In addition, it is a non-waivable condition to the Confirmation of the Plan that no Third Party Releasee exercise this election.

The Debtors believe that the Global Resolution maximizes and ensures creditor recoveries in these Chapter 11 Cases. To the extent each Holder of an Allowed General Unsecured Claim elects to participate in the Global Resolution as a Participating GUC Holder, such Holders shall be released from any Avoidance Actions as provided in the Plan and will receive a Pro Rata distribution of Cash from a reserve in an amount of \$4.5 million. However, that \$4.5 million amount shall be reduced by the Pro Rata share of Allowed General Unsecured Claims held by Non-Participating GUC Holders. In exchange for the agreement to fund the GUC Reserve, Participating GUC Holders will release certain claims against the Third Party Releasees and the Debtors (and the Third Party Releasees and the Debtors likewise will release such Participating GUC Holders). Holders of Allowed General Unsecured Claims may opt out of this release at their election, although such decision not to participate in the Global Resolution will prevent the Non-Participating GUC Holder from receiving any portion of GUC Reserve made available under the Global Resolution.

ARTICLE VII.

SUMMARY OF THE PLAN

This section provides a summary of the structure and means for implementation of the Plan and the classification and treatment of Claims and Interests under the Plan, and is qualified in its entirety by reference to the Plan (as well as the exhibits thereto and definitions therein).

The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in the documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents for the full and complete statement of such terms and provisions of the Plan or documents referred to therein.

The Plan controls the actual treatment of Claims against, and Interests in, the Debtors under the Plan, and will, upon the occurrence of the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtors and the Debtors' Estates, all parties receiving property under the Plan, and other parties in interest. In the event of any conflict between this Disclosure Statement and the Plan or any other operative document, the terms of the Plan and/or such other operative document shall control.

A. *Administrative and Priority Claims*

1. *Administrative Claims*

Subject to the provisions of sections 327, 330(a), and 331 of the Bankruptcy Code, except to the extent that a Holder of an Allowed Administrative Claim and, as applicable, the Debtors or the Plan Administrator agree to less favorable treatment or has been paid by any applicable Debtor prior to the Effective Date, the Debtors or the Plan Administrator shall pay each Holder of an Allowed Administrative Claim the full unpaid amount of such Allowed Administrative Claim in Cash: (1) if an Administrative Claim is Allowed on or prior to the Effective Date, on the Effective Date or as soon as reasonably practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as reasonably practicable thereafter); (2) if an Administrative Claim is Allowed after the Effective Date, on the date such Administrative Claim is Allowed or as soon as reasonably practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due) with a Cash distribution from the Administrative and Priority Claims Reserve by the Plan Administrator; (3) at such time and upon such terms as may be agreed upon by such Holder and the Debtors or the Plan Administrator, as applicable; or (4) at such time and upon such terms as set forth in an order of the Bankruptcy Court; *provided, however*, that any Administrative Claim that has been assumed by the Purchaser pursuant to the Purchase Agreement shall not be an obligation of the Debtors.

(a) *Administrative Claims Bar Date*

Except as otherwise provided by a Final Order previously entered by the Bankruptcy Court (including the Bar Date Order) or as provided by Article II of the Plan, unless previously Filed, requests for payment of Administrative Claims, other than requests for payment of Professional Fee Claims, must be Filed and served on the Debtors no later than the Administrative Claims Bar Date pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order. Holders of Administrative Claims that are required to File and serve a request for payment of such Administrative Claims that do not File and serve such a request by the Administrative Claims Bar Date shall be forever barred, estopped, and enjoined from asserting such Administrative Claims against the Debtors, their Estates, the Plan Administrator, or the Post-Effective Date Debtor Assets, and such Administrative Claims shall be deemed compromised, settled, and released as of the Effective Date. Objections to such requests must be Filed and served on the requesting party by the Administrative Claims Objection Bar Date.

(b) *Administrative and Priority Claims Reserve*

As soon as reasonably practicable after the Confirmation Date and no later than the Effective Date, the Debtors shall fund the Administrative and Priority Claims Reserve in Cash as described in Article IV.F.2 of the Plan. Any amounts remaining in the Administrative and Priority Claims Reserve after payment of all Allowed Priority Claims shall be transferred to the Term Loan Agent and shall be distributed in accordance with the Plan or, if otherwise agreed in writing by the Term Loan Agent in its sole discretion, allocated among any other reserves contemplated in the Plan. Notwithstanding anything to the contrary herein or in the Plan, neither the Plan Administrator, the Post-Effective Date Debtor, the Term Loan Agent, the Term Loan Lenders, nor any other party in interest shall be obligated to fund the Administrative and Priority Claims Reserve in excess of the amount approved by the Bankruptcy Court under the Confirmation Order—i.e., the Administrative and Priority Claims Reserve Amount.

2. *Priority Tax Claims*

Except to the extent that a Holder of an Allowed Priority Tax Claim and, as applicable, the Debtors or the Plan Administrator agree to a less favorable treatment or has been paid by any applicable Debtors prior to the Effective Date, in full and final satisfaction, settlement, and release of and in exchange for release of each Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall be treated in accordance with section 1129(a)(9)(C) of the Bankruptcy Code and satisfied with a Cash distribution from the Administrative and Priority Claims Reserve; *provided, however*, that any Priority Tax Claim that has been assumed by the Purchaser pursuant to the Purchase Agreement shall not be an obligation of the Debtors. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due. Any Claims asserted by a governmental unit on account of any penalties and assessments shall not be Priority Tax Claims. On the Effective Date, any Liens securing any Allowed Priority Tax Claims shall be deemed released, terminated, and extinguished, in each case without further notice to or order of the Bankruptcy Court, act, or action under applicable law, regulation, order or rule, or the vote, consent, authorization, or approval of any Person.

3. *Professional Fee Claims*

(a) Professional Fee Escrow

If the Professional Fee Claims Estimate is greater than zero, as soon as reasonably practicable after the Confirmation Date and no later than the Effective Date, the Debtors shall establish and fund the Professional Fee Escrow. The Professionals shall estimate their Professional Fee Claims before and as of the Effective Date, taking into account any prior payments, and shall deliver such estimate to the Debtors no later than five calendar days before the anticipated Effective Date, as shall be indicated by the Debtors to such Professionals in writing as soon as reasonably practicable following Confirmation of the Plan. For the avoidance of doubt, the Professional Fee Claims Estimate shall not be deemed to limit the amount of fees and expenses that are the subject of a Professional's final request for payment of Professional Fee Claims Filed with the Bankruptcy Court. The Debtors shall fund the Professional Fee Escrow with Cash equal to the Professional Fee Claims Estimate. If a Professional does not provide a Professional Fee Claims Estimate within the timeframe described herein, the Debtors may estimate the unpaid and unbilled fees and expenses of such Professional. Except as provided in the Plan, the Professional Fee Escrow shall be funded on the Effective Date and maintained in trust by the Plan Administrator for the Professionals and shall not be considered property of the Debtors' Estates. When all Allowed Professional Fee Claims have been paid in full, amounts remaining in the Professional Fee Escrow, if any, shall be transferred to the Term Loan Agent and shall be distributed in accordance with the Plan or, if otherwise agreed in writing by the Term Loan Agent in its sole discretion, allocated among any other reserves contemplated in the Plan.

To the extent that funds held in the Professional Fee Escrow are unable to satisfy the amount of Allowed Professional Fee Claims owing to the Professionals after application of funds held in the Professional Fee Escrow, such Professionals shall have an Allowed Administrative Claim for any such deficiency, which Allowed Administrative Claim shall be satisfied in accordance with the Plan.

(b) Final Fee Applications

All final requests for payment of Professional Fee Claims shall be Filed no later than the first Business Day that is 45 days after the Effective Date. After notice provided in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the Allowed amounts of such Professional Fee Claims shall be determined by the Bankruptcy Court. Subject to Article II.C.1 of the Plan, the amount of Professional Fee Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fee Escrow, or as otherwise provided in the Plan, when such Claims are Allowed by an order of the Bankruptcy Court, which order is not subject to a stay.

4. *U.S. Trustee Statutory Fees*

The Debtors or the Plan Administrator, as applicable, shall pay all U.S. Trustee Fees for each quarter (including any fraction thereof) until the Chapter 11 Cases are converted, dismissed, or closed, whichever occurs first.

B. *Classification, Treatment, and Voting of Claims and Interests*

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims, and Professional Fee Claims have not been classified and thus are excluded from the Classes of Claims and Interests set forth in Article III of the Plan.

1. *Summary of Classifications*

All Claims and Interests, other than Administrative Claims, Priority Tax Claims, and Professional Fee Claims, are classified in the Classes set forth in Article III of the Plan for all purposes, including voting, Confirmation, and distributions under the Plan and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Interest qualifies within the description of such other Classes. A Claim or Interest is also classified in a particular Class for the purpose of receiving distributions under the Plan only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released, or otherwise satisfied prior to the Effective Date. The Debtors reserve the right to withdraw the Plan with respect to one or more Debtors while seeking Confirmation or approval of the Plan with respect to all other Debtors.

The Plan constitutes a separate Plan for each of the Debtors, and the classification of Claims and Interests set forth herein shall apply separately to each of the Debtors.

2. *Substantive Consolidation of the Estates*

Pursuant to Article IV.A of the Plan, the Plan provides for the substantive consolidation of the Estates into a single Estate for all purposes associated with Confirmation (including voting) and Consummation. As a result of the substantive consolidation of the Estates, each Class of Claims and Interests will be treated as a single consolidated Estate without regard to the separate identification of the Debtors.

3. *Class Identification*

The classification of Claims against and Interests in each Debtor (as applicable) pursuant to the Plan is as set forth below. To the extent there are no Holders of Claims or Interests in a particular Class or Classes, such Claims or Interests shall be treated as set forth in Article III.E of the Plan.

Class	Claims and Interests	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)
2	Other Secured Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)
3	Revolving Credit Facility Claims	Unimpaired	Not Entitled to Vote (Conclusively Presumed to Accept)
4	Term Loan Claims	Impaired	Entitled to Vote

Class	Claims and Interests	Status	Voting Rights
5	General Unsecured Claims	Impaired	Entitled to Vote
6	Intercompany Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
7	Section 510(b) Claims	Impaired	Not Entitled to Vote (Deemed to Reject)
8	Intercompany Interests	Impaired	Not Entitled to Vote (Deemed to Reject)
9	Holdings Interests	Impaired	Not Entitled to Vote (Deemed to Reject)

The treatment of the Classes of Claims and Interests under the Plan shall be as set forth in Article III.B of the Plan and Article II hereof.

4. *Special Provision Governing Unimpaired Claims*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the rights of the Plan Administrator, the Debtors, or the Debtors' Estates in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

5. *Elimination of Vacant Classes*

Any Class of Claims or Interests that does not have a Holder of an Allowed Claim or Allowed Interest or a Claim or Interest temporarily Allowed by the Bankruptcy Court as of the date of the Confirmation Hearing shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

6. *Voting Classes; Presumed Acceptance by Non-Voting Classes*

If a Class contains Claims or Interests eligible to vote and no Holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Plan, the Debtors shall request the Bankruptcy Court to deem the Plan accepted by the Holders of such Claims or Interests in such Class.

7. *Confirmation Pursuant to Sections 1129(a)(10) and 1129(b) of the Bankruptcy Code*

The Debtors shall seek Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests. The Debtors reserve the right to modify the Plan in accordance with Article X of the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification, including by modifying the treatment applicable to a Class of Claims or Interests to render such Class of Claims or Interests Unimpaired to the extent permitted by the Bankruptcy Code and the Bankruptcy Rules.

C. *Means for Implementation of the Plan*

1. *Substantive Consolidation*

The Plan shall serve as a motion by the Debtors seeking entry of an order pursuant to sections 105(a), 363(b), and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019 substantively consolidating all of the Estates into a single consolidated Estate for all purposes associated with Confirmation and Consummation

(the “Consolidation”). Among other things, the Consolidation encompasses a settlement with respect to Intercompany Claims, recoveries on account of certain Claims related to the Debtors’ joint and several liabilities, and the allocation of the GUC Reserve Amount among the Estates because, under a strict interpretation of the absolute priority rule, the Debtors submit that Holders of Allowed General Unsecured Claims would not receive any distribution under the Plan. The tabulation of votes to accept or reject the Plan shall be counted on a consolidated basis.

Pursuant to the Consolidation, on and after the Effective Date: (1) all of the assets and liabilities of the Debtors shall be merged so that all of the assets of the Debtors shall be available to pay all of the liabilities under the Plan as set forth herein and in the Plan; (2) all of the funds held in the Administrative and Priority Claims Reserve shall be available to pay all of the Allowed Priority Claims; (3) all of the funds held in the GUC Reserve shall be available to pay all of the Allowed General Unsecured Claims held by Participating GUC Holders; (4) all of the Intercompany Claims shall be disallowed and expunged and no distributions shall be made on account of such Intercompany Claims; (5) all guarantees by the Debtors of the obligations of any other Debtor shall be eliminated so that any Claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of the Debtors shall be one obligation of Holdings; and (6) each and every Claim Filed or to be Filed in the case of any of the Debtors other than Holdings shall be deemed Filed against Holdings.

The Consolidation (other than for purposes of effectuating the Plan) shall not affect: (1) the legal and corporate structures of the Debtors; (2) pre- and post-Effective Date guarantees, liens, and security interests that are required to be maintained (a) in connection with Executory Contracts and Unexpired Leases that have been or will be assumed, if any, or (b) pursuant to the Plan; (3) distributions from any insurance policies or proceeds of such policies; and (4) vesting of the Post-Effective Date Debtor Assets in the Post-Effective Date Debtor. If the Bankruptcy Court does not approve the Consolidation, or approves the Consolidation but with respect to less than all of the Debtors’ Estates, then the Plan shall be treated as a separate plan of liquidation for each Debtor not substantively consolidated and such Debtor(s) shall not, nor shall be required to, resolicit votes with respect to the Plan, nor will the failure of the Bankruptcy Court to approve the Consolidation alter the distributions set forth in the Plan.

Sections 105(a) and 1123(a)(5) of the Bankruptcy Code empower a bankruptcy court to authorize substantive consolidation pursuant to a chapter 11 plan over the objections of creditors. *See In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005), *as amended* (Aug. 23, 2005), *as amended* (Sept. 2, 2005), *as amended* (Oct. 12, 2005), *as amended* (Nov. 1, 2007). In reversing the district court’s consolidation of a parent company and a number of its subsidiary guarantors, the U.S. Court of Appeals for the Third Circuit (the “Third Circuit”) did not endorse any specific set of factors a court should consider in ordering consolidation. Instead, the Third Circuit articulated a number of “principles” to guide the court in its analysis. *Owens Corning*, 419 F.3d at 211. These principles include: (i) absent compelling circumstances courts must respect entity separateness; (ii) recognition that substantive consolidation nearly always addresses harms caused by debtors disregarding separateness; (iii) mere benefit of administration is “hardly a harm calling substantive consolidation into play”; (iv) substantive consolidation should be used rarely and as a last resort after alternative remedies have been considered and rejected; and (v) substantive consolidation may not be used as a sword. *Id.*

Using these principles, the Third Circuit set forth the standard by which courts in this jurisdiction must weigh requests for substantive consolidation when creditor consent is lacking. Specifically, in ordering substantive consolidation (absent consent of the parties) courts must either find, with respect to the entities in question, that (a) prepetition, the entities to be consolidated disregarded their separateness “so significantly their creditors relied on the breakdown of entity borders and treated them as one legal entity,” or (b) postpetition, “their assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors.” *Id.*

The Debtors believe that substantive consolidation is warranted here because, among other reasons, the Debtors operated on a highly consolidated basis. The Debtors had similar officers, directors, and/or members and managers. For purposes of the Debtors’ negotiation of secured financing, the parties to such financing arrangements largely treated the Debtors’ operations as unitary. Further, accounts payable functions were performed via a highly integrated cash management system. Most importantly, the Debtors believe that the overall effect of substantive consolidation will be more beneficial than harmful to creditors and will allow for greater efficiencies and simplification in processing Claims and making distributions to holders of Allowed Claims. Given the substantial

interconnectedness of the Debtors' operations, the state of the books and records of many of the individual Debtors makes separating these entities difficult and costly. Given the Debtors' liquidity profile, the Debtors believe that efforts to untangle such interconnectedness would be inefficient and reduce already limited creditor recoveries, making consolidation not a matter of convenience but rather one born out of the necessity of preserving value. Furthermore, substantively consolidating the Estates settles a complicated and vast array of prepetition and administrative Intercompany Claims as well as the allocation of the Debtors' secured debt. Accordingly, the Debtors submit that substantive consolidation will streamline the process of making distributions, thereby decreasing administrative costs—in particular, Professional Fee Claims—to the benefit of all creditors.

2. *Sources of Consideration for Plan Distributions*

The Debtors' Cash on hand, the GUC Reserve Amount, the Debtors' rights under the Purchase Agreement, the Term Loan Lender Assets other than Cash, all Causes of Action not previously settled, released, or exculpated under the Plan, and the remainder of the Revolving Cash Reserve, if any, shall be used to fund the distributions to Holders of Allowed Claims against the Debtors in accordance with the treatment of such Claims and subject to the terms provided in the Plan.

3. *General Settlement of Claims*

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims, Interests, and controversies resolved pursuant to the Plan.⁷

A court may approve a proposed compromise or settlement, so long as the compromise or settlement is in the "best interest of the estate." *In re Neshaminy Office Bldg. Assocs.*, 62 B.R. 798, 803 (E.D. Pa. 1986). In making this determination, a court typically examines four factors: "(1) the probability of success in litigation; (2) the likely difficulties in collection; (3) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending it; and (4) the paramount interest of the creditors." *In re Martin*, 91 F.3d 389, 393 (3d Cir. 1996) (citations omitted). Further, a court need only determine that the proposed settlement or compromise is above the "lowest point in the range of reasonableness." *In re Pa. Truck Lines, Inc.*, 150 B.R. 595, 598 (E.D. Pa. 1992), *aff'd*, 8 F.3d 812 (3d Cir. 1993); *see also In re World Health Alternatives, Inc.*, 344 B.R. 291, 296 (Bankr. D. Del. 2006) (noting that "the court does not have to be convinced that the settlement is the best possible compromise," rather the court need only "conclude that the settlement is 'within the reasonable range of litigation possibilities'" (citations omitted)).

4. *Revolving Credit Facility Claims*

Effective as of the Effective Date, except with respect to the Continuing Obligations as set forth in Article IV.D of the Plan, the Debtors' obligations under the Revolving Credit Documents shall be deemed terminated, canceled, and released. In full and final satisfaction, settlement, and release of and in exchange for each Holder's Allowed Revolving Credit Facility Claim, on the Effective Date or as soon as reasonably practicable thereafter, the Debtors or the Plan Administrator on behalf of the Post-Effective Date Debtor, as the case may be, may take such actions, in their sole discretion, to effectuate the following:

1. pay any accrued but unpaid amounts owing to the Revolving Credit Facility Agent or the Revolving Lenders under the Final Cash Collateral Order or the Revolving Credit Documents, in either case to the extent and in the manner provided therein;
2. solely to the extent and in the manner provided by the Revolving Credit Documents (subparts (i)-(iv) of Article IV.D.2 of the Plan, collectively, the

⁷ Generally, the standards for approval of a settlement or compromise under section 1123 of the Bankruptcy Code are the same as those under Bankruptcy Rule 9019. *In re Coram Healthcare Corp.*, 315 B.R. 321, 334–35 (Bankr. D. Del. 2004).

“Continuing Obligations”): (i) pay the Revolving Credit Facility Agent for all amounts paid by the Revolving Credit Facility Agent or any Revolving Lender in respect of amounts drawn under any Letter of Credit following the Effective Date, together with any applicable fees, charges, expenses (including bank charges and expenses), and indemnification obligations related thereto; (ii) satisfy all indemnification obligations and other similar obligations in favor of the Revolving Credit Facility Agent or any Revolving Lender, (including without limitation, any loss, cost, damage or claim which arises from any non-payment, claim, or refund of any checks or other similar items or any bookkeeping, accounting, or other errors in calculation), which expressly survive termination of the Revolving Credit Documents pursuant to the terms thereof; (iii) pay interest (if any and at the interest rate provided for in the Revolving Credit Documents prior to the Effective Date) upon all amounts owed to Revolving Credit Facility Agent and Revolving Lenders in respect of the outstanding Letters of Credit or otherwise in respect of the Continuing Obligations, as applicable; and (iv) pay any costs and expenses incurred by Revolving Credit Facility Agent or any Revolving Lender, including attorneys’ fees and legal expenses in connection with any of the Continuing Obligations;

3. as collateral security for the prompt payment in full and performance of the Continuing Obligations, subject to the Revolving Credit Facility Agent’s obligations pursuant to Article IV.D of the Plan, grant, pledge, and assign the Post-Effective Date Debtors’ interests in the Cash comprising the Revolving Cash Reserve (which is currently being held by Revolving Credit Facility Agent) to the Revolving Credit Facility Agent and the Revolving Lenders a security interest in and right of setoff against such Cash, which shall be held by Revolving Credit Facility Agent (without interest), less any amounts thereof previously applied to Continuing Obligations, for a period of not more than thirty (30) days following the expiration date of the last of the Letters of Credit to expire. Subject in all respects to the provisions of Article IV.D.2 of the Plan and solely to the extent and in the manner provided by the Revolving Credit Documents, the Revolving Credit Facility Agent may immediately apply Cash from the Revolving Cash Reserve, less any amounts previously applied from time to time against the Continuing Obligations when due. No later than thirty (30) days following the expiration date of the last of the Letters of Credit to expire, the Revolving Credit Facility Agent shall transfer any Cash remaining in the Revolving Cash Reserve following the application thereof to the Continuing Obligations to the Plan Administrator for distribution in accordance with the Plan; and
4. execute and deliver such other and further documents as may be reasonably requested by the Revolving Credit Facility Agent.

The Revolving Credit Facility Agent and Revolving Lenders acknowledge and agree that the foregoing treatment of their Allowed Class 3 Claims, together with the other provisions of this Plan, renders them Unimpaired.

5. *Post-Effective Date Debtor*

From and after the Effective Date, the Post-Effective Date Debtor shall continue in existence for purposes of (1) winding down the Debtors’ businesses and affairs as expeditiously and efficaciously as reasonably possible, (2) resolving Disputed Claims, (3) paying Allowed Priority Claims, Allowed General Unsecured Claims, and Professional Fee Claims, (4) enforcing and prosecuting claims, interests, rights, and privileges under the Post-Effective Date Debtor Causes of Action in an efficacious manner and only to the extent the benefits of such enforcement or prosecution are reasonably believed to outweigh the costs associated therewith, (5) holding the D&O Policies and the LLC Agreement, (6) filing appropriate tax returns, and (7) administering the Plan in an efficacious manner. The Post-Effective Date Debtor shall be deemed to be substituted as the party-in-lieu of the Debtors in all

matters, including (8) motions, contested matters, and adversary proceedings pending in the Bankruptcy Court, and (9) all matters pending in any courts, tribunals, forums, or administrative proceedings outside of the Bankruptcy Court, in each case without the need or requirement for the Plan Administrator to file motions or substitutions of parties or counsel in each such matter.

On the Effective Date, the Plan Administrator shall establish the Post-Effective Date Debtor Reserve with the proceeds from the Post-Effective Date Debtor Cash Distribution, and such proceeds, together with the Post-Effective Date Debtor Assets, shall vest in the Post-Effective Date Debtor for the purpose of liquidating the Estates and Consummating the Plan. The Post-Effective Date Debtor Assets shall be held free and clear of all liens, claims, and interests of Holders of Claims and Interests, except as otherwise provided in the Plan. Any distributions to be made under the Plan from the Post-Effective Date Debtor Assets shall be made by the Plan Administrator or its designee(s). Notwithstanding anything herein or in the Plan to the contrary, the Post-Effective Date Debtor and the Plan Administrator shall be deemed to be fully bound by the terms of the Plan and the Confirmation Order.

6. *Plan Administrator*

The Plan Administrator shall act for the Post-Effective Date Debtor in the same fiduciary capacity as applicable to a board of managers and officers, subject to the provisions of the Plan (and all certificates of formation, membership agreements, and related documents are deemed amended by the Plan to permit and authorize the same) and the Plan Administrator Agreement. On the Effective Date, the authority, power, and incumbency of the persons acting as managers and officers of the Post-Effective Date Debtor shall be deemed to have resigned, and a representative of the Plan Administrator shall be appointed as the sole manager and sole officer of the Post-Effective Date Debtor and shall succeed to the powers of the Post-Effective Date Debtor's managers and officers. From and after the Effective Date, the Plan Administrator shall be the sole representative of, and shall act for, the Post-Effective Date Debtor.

The powers of the Plan Administrator shall include any and all powers and authority to implement the Plan and to administer and distribute the Post-Effective Date Debtor Assets and wind down the businesses and affairs of the Debtors and the Post-Effective Date Debtor, including: (1) liquidating, receiving, holding, and investing, supervising, and protecting the Post-Effective Date Debtor Assets; (2) taking all steps to execute all instruments and documents necessary to effectuate the distributions to be made under the Plan from the Post-Effective Date Debtor Assets; (3) making distributions from the Post-Effective Date Debtor Assets as contemplated under the Plan; (4) establishing and maintaining bank accounts in the name of the Post-Effective Date Debtor, including the Post-Effective Date Debtor Reserve; (5) subject to the terms set forth herein and in the Plan, employing, retaining, terminating, or replacing professionals to represent it with respect to its responsibilities or otherwise effectuating the Plan to the extent necessary; (6) paying all reasonable fees, expenses, debts, charges, and liabilities of the Post-Effective Date Debtor; (7) administering and paying taxes of the Post-Effective Date Debtor, including filing tax returns; (8) representing the interests of the Post-Effective Date Debtor or the Estates before any taxing authority in all matters, including any action, suit, proceeding or audit; (9) transferring any unliquidated Post-Effective Date Debtor Causes of Action to a litigation trust no later than January 31, 2016; and (10) exercising such other powers as may be vested in it pursuant to order of the Bankruptcy Court or pursuant to the Plan or the Plan Administrator Agreement, or as it reasonably deems to be necessary and proper to carry out the provisions of the Plan.

The Plan Administrator may resign at any time upon 30 days' written notice delivered to the Bankruptcy Court, the Term Loan Agent, and the GUC Administration Oversight Committee, provided that such resignation shall only become effective upon the appointment of a permanent or interim successor Plan Administrator. The Plan Administrator may also be removed by the Term Loan Agent. In the event the Plan Administrator resigns or is removed, the Term Loan Agent shall select a successor Plan Administrator, which successor Plan Administrator shall (unless at the time such successor Plan Administrator is selected 75% or more of the Cash funded into the GUC Reserve from the GUC Reserve Funding Source on the Effective Date has been distributed, paid, or otherwise disbursed in accordance with the Plan), be subject to the GUC Administration Oversight Committee's consent, which consent shall not be unreasonably withheld. Upon its appointment, the successor Plan Administrator, without any further act, shall become fully vested with all of the rights, powers, duties, and obligations of its predecessor and all responsibilities of the predecessor Plan Administrator relating to the Post-Effective Date Debtor shall be terminated.

(a) Tax Returns

After the Effective Date, the Plan Administrator shall complete and file all final or otherwise required federal, state, and local tax returns for each of the Debtors, and, pursuant to section 505(b) of the Bankruptcy Code, may request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws.

(b) Administrative and Priority Claims Reserve

On the Effective Date, the Debtors shall fund, and the Plan Administrator shall establish and thereafter maintain, the Administrative and Priority Claims Reserve with the Administrative and Priority Claims Reserve Amount in an authorized depository in the District of Delaware, which funds shall vest in the Post-Effective Date Debtor free and clear of all liens, Claims, encumbrances, charges, and other interests, except as otherwise specifically provided in the Plan or in the Confirmation Order. Funds in the Administrative and Priority Claims Reserve shall be used by the Plan Administrator only for the payment of Priority Claims Allowed after the Effective Date to the extent that such Priority Claims have not been paid in full on or prior to the Effective Date. To the extent any funds remain in the Administrative and Priority Claims Reserve after all of such Priority Claims have been paid or otherwise satisfied in full, such remaining funds shall be distributed by the Plan Administrator to the Term Loan Agent for the benefit of the Term Loan Lenders in accordance with the Plan. Notwithstanding anything to the contrary herein or in the Plan, neither the Plan Administrator, the Post-Effective Date Debtor, the Term Loan Agent, the Term Loan Lenders, nor any other party in interest shall be obligated to fund the Administrative and Priority Claims Reserve in an aggregate amount in excess of the Administrative and Priority Claims Reserve Amount.

(c) GUC Administration

(i) GUC Reserve

On the Effective Date the GUC Reserve shall be funded from the GUC Reserve Funding Source with the GUC Reserve Amount (which, for the avoidance of doubt, shall equal \$4.5 million, subject to certain adjustments), and the Plan Administrator shall establish and thereafter maintain the GUC Reserve in a separate, segregated account, in an authorized depository in the District of Delaware, which funds shall vest in the Post-Effective Date Debtor free and clear of all liens, Claims, encumbrances, charges, and other interests, except as otherwise specifically provided in the Plan or in the Confirmation Order. Funds in the GUC Reserve shall be used by the Plan Administrator only: (i) for the payment of Allowed General Unsecured Claims held by Participating GUC Holders to the extent that such General Unsecured Claims have not been paid in full on or prior to the Effective Date; and (ii) to fund the GUC Administration Costs. On or after the Effective Date and subject to the administration of General Unsecured Claims, the Plan Administrator shall reduce the GUC Reserve Amount by the Pro Rata share of Allowed General Unsecured Claims held by Non-Participating GUC Holders. Any Cash held in the GUC Reserve that exceeds the adjusted GUC Reserve Amount shall be transferred to the Post-Effective Date Debtor and thereafter distributed to Holders of Allowed Term Loan Claims or returned to the applicable Third Party Releasee(s) (or its or their designees) that funded the GUC Reserve Amount. Neither the Post-Effective Date Debtor nor the Third Party Releasees will have any further reversionary or other interest in or with respect to any of the GUC Reserve Amount. Notwithstanding anything to the contrary herein or in the Plan, neither the Plan Administrator, the Post-Effective Date Debtor, the Third Party Releasees, nor any other party in interest shall be obligated to fund the GUC Reserve in an aggregate amount in excess of the GUC Reserve Amount.

(ii) GUC Administration Oversight Committee

On the Effective Date, the GUC Administration Oversight Committee shall be formed and comprised of three members selected by the Committee. The members comprising the GUC Administration Oversight Committee shall be identified at or prior to the Confirmation Hearing.

The GUC Administration Oversight Committee shall have the right to appoint and/or replace the professionals used by the Plan Administrator in connection with the accounting, claims reconciliation, settlement, compromise, and objections with respect to General Unsecured Claims held by Participating GUC Holders. The

Plan Administrator or its designee shall report all material matters (as described in the Plan Administrator Agreement) to, and seek approval for all material decisions (as described in the Plan Administrator Agreement) from, the GUC Administration Oversight Committee solely with respect to the rights of Holders of General Unsecured Claims under the Plan.

From and after the Effective Date, settlement by the Post-Effective Date Debtor of any General Unsecured Claims shall require: (x) approval only of the Plan Administrator, if the amount of the General Unsecured Claim asserted by a claimant is less than \$1.5 million; and (y) approval only of the Plan Administrator and the GUC Administration Oversight Committee, if the amount of the General Unsecured Claim asserted by a claimant is more than \$1.5 million; *provided*, that to the extent the Plan Administrator and the GUC Administration Oversight Committee cannot agree to a settlement within the purview of the foregoing part (y), the parties shall seek a determination from the Bankruptcy Court resolving the dispute as soon as reasonably practicable thereafter.

(iii) Distributions; Withholding

The Plan Administrator will make, or cause to be made by its designee(s), all distributions under the Plan to Holders of Allowed General Unsecured Claims. The Post-Effective Date Debtor may withhold from amounts distributable to any Entity any and all amounts, determined in the Plan Administrator's sole discretion, required by the Plan, or applicable law, regulation, rule, ruling, directive, or other governmental requirement.

(d) D&O Policies

Notwithstanding anything to the contrary contained herein, in the Plan, or in the Confirmation Order, Confirmation of the Plan shall not impair or otherwise modify any obligations arising under the D&O Policies. In addition, after the Effective Date, the Plan Administrator shall not terminate or otherwise reduce coverage under any D&O Policy, including, without limitation, any "tail policy," in effect as of the Petition Date, and all directors, managers, and officers of the Debtors who served in such capacity as of the Petition Date at any time prior to the Effective Date shall be entitled to the full benefits of any such policy for the full term of such policy regardless of whether such directors and officers remain in such positions after the Effective Date.

(e) Wind Down

On and after the Effective Date, the Plan Administrator will be authorized to implement the Plan and any applicable orders of the Bankruptcy Court, and the Plan Administrator shall have the power and authority to take any action necessary to wind down and dissolve the Debtors' Estates.

As soon as reasonably practicable after the Effective Date, except with respect to the Post-Effective Date Debtor as set forth in the Plan, the Plan Administrator shall: (1) cause the Debtors to comply with, and abide by, the terms of the Purchase Agreement; (2) file for each of the Debtors a certificate of dissolution or equivalent document, together with all other necessary corporate and company documents, to effect the dissolution of the Debtors under the applicable laws of their state of incorporation or formation (as applicable), including, but not limited to, any actions contemplated in sections 275–283 of the General Corporation Law of the State of Delaware (the "DGCL"); and (3) take such other actions as the Plan Administrator may determine to be necessary or desirable to carry out the purposes of the Plan. For purposes of clause (2) of the preceding sentence, the Plan shall constitute a plan of distribution as contemplated in the DGCL. The certificate of dissolution or equivalent document may be executed by the Plan Administrator without need for any action or approval by the equity holders or boards of directors or managers of any Debtor. From and after the Effective Date, except with respect to the Post-Effective Date Debtor as set forth in the Plan, the Debtors (4) for all purposes shall be deemed to have withdrawn their business operations from any state in which the Debtors were previously conducting, or are registered or licensed to conduct, their business operations, and shall not be required to file any document, pay any sum, or take any other action in order to effectuate such withdrawal, (5) shall be deemed to have cancelled pursuant to the Plan all Interests, and (6) shall not be liable in any manner to any taxing authority for franchise, business, license, or similar taxes accruing on or after the Effective Date. For the avoidance of doubt, except with respect to the Post-Effective Date Debtor as set forth in the Plan, (7) notwithstanding the Debtors' dissolution, the Debtors shall be deemed to remain intact solely with respect to the preparation, filing, review, and resolution of applications for Professional Fee Claims.

The filing of the final monthly report (for the month in which the Effective Date occurs) and all subsequent quarterly reports shall be the responsibility of the Plan Administrator.

(f) Exculpation; Indemnification; Insurance; Liability Limitation

The Plan Administrator, all professionals retained by the Plan Administrator, and representatives of each of the foregoing shall be deemed exculpated and indemnified, except for fraud, willful misconduct, or gross negligence, in all respects by the Post-Effective Date Debtor under the terms of the Plan Administrator Agreement. The Plan Administrator may obtain, at the expense of the Post-Effective Date Debtor and with funds from the Post-Effective Date Debtor Reserve, commercially reasonable liability or other appropriate insurance with respect to the indemnification obligations of the Post-Effective Date Debtor. The Plan Administrator may rely upon written information previously generated by the Debtors or the Post-Effective Date Debtor.

For the avoidance of doubt, notwithstanding anything to the contrary contained herein, the Plan Administrator, in its capacity as such, shall have no liability whatsoever to any party for the liabilities and/or obligations, however created, whether direct or indirect, in tort, contract, or otherwise, of the Debtors or the Post-Effective Date Debtor.

(g) Dissolution of the Post-Effective Date Debtor

Upon a certification to be Filed with the Bankruptcy Court by the Plan Administrator of all distributions having been made and completion of all its duties under the Plan and entry of a final decree closing the last of the Chapter 11 Cases, the Post-Effective Date Debtor shall be deemed to be dissolved without any further action by the Post-Effective Date Debtor, including the filing of any documents with the secretary of state for the state in which the Post-Effective Date Debtor is formed or any other jurisdiction. The Plan Administrator, however, shall have authority to take all necessary actions to dissolve the Post-Effective Date Debtor in and withdraw the Post-Effective Date Debtor from applicable state(s).

7. *Cancellation of Securities and Agreements*

On the Effective Date, except as otherwise specifically provided for in the Plan: (1) the obligations of any Debtor under any certificate, share, note, bond, indenture, purchase right, or other instrument or document, including, without limitation, the Revolving Credit Documents and the Term Loan Documents, directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest, equity, or portfolio interest in the Debtors or any warrants, options, or other securities exercisable or exchangeable for, or convertible into, debt, equity, ownership, or profits interests in the Debtors giving rise to any Claim or Interest shall be cancelled as to the Debtors; and (2) the obligations of the Debtors pursuant, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificates or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, indenture, purchase rights, options, warrants, or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors shall be fully released, settled, and compromised; *provided, that*, notwithstanding Confirmation or the occurrence of the Effective Date, any such agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of allowing such Holders to receive distributions under the Plan as provided therein; *provided, further*, that the foregoing shall not affect those provisions under the Revolving Loan Documents that by their terms survive termination.

8. *Corporate Action*

Upon the Effective Date, by virtue of the solicitation of votes in favor of the Plan and entry of the Confirmation Order, all actions contemplated by the Plan (including any action to be undertaken by the Plan Administrator) shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Interests, the Debtors, or any other Entity or Person. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the Debtors in connection therewith, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Debtors or the Debtors' Estates.

Upon the Effective Date or as soon as reasonably practicable thereafter, after (1) making distributions provided for under the Plan, and (2) the vesting of the Post-Effective Date Debtor Assets in the Post-Effective Date Debtor, the Debtors other than the Post-Effective Date Debtor shall be deemed to have been dissolved and terminated.

Upon the Effective Date or as soon as reasonably practicable thereafter, the existing boards of directors and managers, as applicable, of the Debtors other than the Post-Effective Date Debtor shall be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, shareholders, and members and any all remaining officers or directors of each Debtor other than the Post-Effective Date Debtor shall be dismissed without any further action required on the part of any such Debtor, the shareholders of such Debtor, or the officers and directors of such Debtor. The directors, managers, and officers of the Debtors and the Plan Administrator, as applicable, shall be authorized to execute, deliver, File, or record such contracts, instruments, and other agreements or documents and take such other actions as they may deem necessary or appropriate in their sole discretion to implement the provisions of Article IV.H of the Plan.

The authorizations and approvals contemplated by Article IV.H of the Plan shall be effective notwithstanding any requirements under applicable nonbankruptcy law.

9. *Effectuating Documents; Further Transactions*

Prior to the Effective Date, the Debtors are, and on and after the Effective Date, the Plan Administrator is authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

10. *Exemption from Certain Taxes and Fees*

To the maximum extent provided by section 1146(a) of the Bankruptcy Code, any post-Confirmation transfer from any Entity pursuant to, in contemplation of, or in connection with the Plan or pursuant to: (1) the issuance, distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtors; or (2) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instruments of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, in each case to the extent permitted by applicable bankruptcy law, and the appropriate state or local government officials or agents shall forego collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

11. *Causes of Action*

Other than Causes of Action against an Entity that are waived, relinquished, exculpated, released, compromised, or settled under the Plan or any Final Order (including, for the avoidance of doubt, any claims or Causes of Action released pursuant to Article VIII.D of the Plan), the Debtors reserve and, as of the Effective Date, assign to the Post-Effective Date Debtor the Post-Effective Date Debtor Causes of Action, which shall include, for the avoidance of doubt, those Causes of Action identified as being retained in the Plan Supplement. On and after the Effective Date, the Plan Administrator may pursue the Post-Effective Date Debtor Causes of Action on behalf of and for the benefit of the applicable beneficiaries. On the Effective Date, all Avoidance Actions shall be deemed waived, relinquished, and extinguished.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or this Disclosure Statement to any such Cause of Action against them as any indication that the Debtors or the Plan Administrator will not pursue any and all available Causes of Actions against them. No preclusion doctrine,

including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation.

The Debtors reserve such Causes of Action notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. Prior to the Effective Date, the Debtors, and on and after the Effective Date, the Plan Administrator, shall retain and shall have, including through their authorized agents or representatives, the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court.

12. *Closing the Chapter 11 Cases*

Upon the occurrence of the Effective Date, the Plan Administrator shall be permitted to close all of the Chapter 11 Cases except for the Chapter 11 Case of Holdings, and all contested matters relating to each of the Debtors, including objections to Claims, shall be administered and heard in the Chapter 11 Case of Holdings.

When all Disputed Claims have become Allowed or disallowed, all remaining Cash has been distributed in accordance with the Plan, and the business and affairs of the Post-Effective Date Debtor have been otherwise wound down, the Plan Administrator shall seek authority from the Bankruptcy Court to close the Chapter 11 Case of Holdings in accordance with the Bankruptcy Code and the Bankruptcy Rules.

D. *Treatment of Executory Contracts and Unexpired Leases*

1. *Assumption and Assignment of Executory Contracts and Unexpired Leases*

On the Effective Date, except as otherwise provided in the Plan, each Executory Contract and Unexpired Lease not previously rejected, assumed, or assumed and assigned, including, without limitation, any employee benefit plans, severance plans, and other Executory Contracts under which employee obligations arise, shall be deemed automatically rejected pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such Executory Contract or Unexpired Lease: (1) is specifically described in the Plan as to be assumed in connection with confirmation of the Plan, or is specifically scheduled to be assumed or assumed and assigned pursuant to the Plan or the Plan Supplement; (2) is subject to a pending motion to assume such Unexpired Lease or Executory Contract as of the Effective Date; (3) is to be assumed or assumed and assigned to the Purchaser or another third party, as applicable, in connection with the Sale Transaction; (4) is a contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan; (5) is a D&O Policy; (6) is the Purchase Agreement; or (7) is the LLC Agreement. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions, assignments, and rejections, including the assumption of the Executory Contracts or Unexpired Leases as provided in the Plan Supplement, pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

2. *Cure of Defaults for Assumed Executory Contracts and Unexpired Leases*

Any Cure Obligations under each Executory Contract and Unexpired Lease to be assumed pursuant to the Plan shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Cure Obligation in Cash on the Effective Date or as soon as reasonably practicable thereafter, subject to the limitation described below, by the Debtors as an Administrative Claim or by Purchaser in accordance with the Purchase Agreement, as applicable, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (1) the amount of the Cure Obligation, (2) the ability of the Debtors' Estates or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (3) any other matter pertaining to assumption, the Cure Obligations required by section 365(b)(1) of the Bankruptcy Code shall be satisfied following the entry of a Final Order or orders resolving the dispute and approving the assumption; *provided*, that prior to the Effective Date, the Debtors, and on and after the Effective Date, the Plan Administrator

may settle any dispute regarding the amount of any Cure Obligation without any further notice to any party or any action, order, or approval of the Bankruptcy Court.

Unless otherwise provided by an order of the Bankruptcy Court, at least twenty-one (21) days before the Confirmation Hearing, the Debtors shall cause notice of proposed assumption and proposed Cure Obligations to be sent to applicable counterparties. Any objection by such counterparty must be Filed, served, and **actually received** by the Debtors not later than fourteen (14) days after service of notice of the Debtors' proposed assumption and associated Cure Obligations. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or Cure Obligation.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan, or otherwise, shall result in the full release and satisfaction of any Claims or defaults, subject to satisfaction of the Cure Obligations, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the effective date of assumption and/or assignment. **Anything in the Schedules and any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed and assigned shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.**

3. *Claims Based on Rejection of Executory Contracts and Unexpired Leases*

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim based on the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to the Plan or otherwise, must be Filed with Bankruptcy Court and served on the Debtors or, after the Effective Date, the Plan Administrator, as applicable, no later than thirty (30) days after the earlier of the Effective Date or the effective date of rejection of such Executory Contract or Unexpired Lease. In addition, any objection to the rejection of an Executory Contract or Unexpired Lease must be Filed with the Bankruptcy Court and served on the Debtors or, after the Effective Date, the Plan Administrator, as applicable, no later than fourteen (14) days after service of the Debtors' proposed rejection of such Executory Contract or Unexpired Lease.

Any Holders of Claims arising from the rejection of an Executory Contract or Unexpired Lease for which Proofs of Claims were not timely Filed as set forth in the paragraph above and in the Plan shall not (1) be treated as a creditor with respect to such Claim, (2) be permitted to vote to accept or reject the Plan on account of any Claim arising from such rejection, or (3) participate in any distribution in the Chapter 11 Cases on account of such Claim, and any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed with the Bankruptcy Court within such time will be automatically disallowed, forever barred from assertion, and shall not be enforceable against the Debtors, the Post-Effective Date Debtor, the Debtors' Estates, or the property for any of the foregoing without the need for any objection by the Debtors or the Plan Administrator, as applicable, or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully compromised, settled, and released, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Debtors' prepetition Executory Contracts or prepetition Unexpired Leases shall be classified as General Unsecured Claims against the appropriate Debtor, except as otherwise provided by order of the Bankruptcy Court.

4. *Purchase Agreement; Assumed Contracts*

The Debtors' assumption or rejection of any Executory Contract or Unexpired Lease pursuant to the Plan shall be subject in all respects to the Purchaser's rights and obligations, including any Cure Obligations assumed by the Purchaser in accordance with the Purchase Agreement, with respect to any such Executory Contracts or Unexpired Leases that constitute Assumed Contracts (as defined in the Purchase Agreement) as set forth in the Purchase Agreement, including section 2.6 thereof.

5. *Modifications, Amendments, Supplements, Restatements, or Other Agreements*

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors or the Debtors on behalf of the Debtors' Estates during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

6. *D&O Policies*

The D&O Policies shall be assumed by the Debtors on behalf of the applicable Debtor and assigned to the Post-Effective Date Debtor effective as of the Effective Date, pursuant to sections 365 and 1123 of the Bankruptcy Code, unless such insurance policy previously was rejected by the Debtors or the Debtors' Estates pursuant to a Bankruptcy Court order or is the subject of a motion to reject pending on the Effective Date, and coverage for defense and indemnity under any of the D&O Policies shall remain available to all individuals within the definition of "Insured" in any of the D&O Policies.

7. *Indemnification Obligations*

Subject to the occurrence of the Effective Date, the obligations of the Debtors as of the Effective Date to indemnify, defend, reimburse, or limit the liability of the current and former directors, officers, employees, attorneys, other professionals and agents of the Debtors, and such current and former directors' and officers' respective Affiliates, respectively, against any Claims or Causes of Action under the Indemnification Provisions or applicable law, shall survive Confirmation, shall be assumed by the Debtors on behalf of the applicable Debtor and assigned to the Post-Effective Date Debtor, and will remain in effect after the Effective Date if such indemnification, defense, reimbursement, or limitation is owed in connection with an event occurring before the Effective Date; *provided, however*, that, notwithstanding anything herein or in the Plan to the contrary, the Post-Effective Date Debtor's obligation to fund such Indemnification Provisions shall be limited to the extent of coverage available under any insurance policy assumed by the Debtors and assigned to the Post-Effective Date Debtor, including the D&O Policies.

8. *Reservation of Rights*

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Debtors' Estates have any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Plan Administrator, as applicable, shall have 90 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided in the Plan.

E. *Provisions Governing Distributions*

1. *Calculation of Amounts to Be Distributed*

Each Holder of an Allowed Claim against the Debtors shall receive the full amount of the distributions that the Plan provides for Allowed Claims in the applicable Class from the Debtors or the Plan Administrator on behalf of the Debtors or Post-Effective Date Debtor, as applicable. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, in which case such payment shall

be deemed to have occurred when due. If and to the extent that there are Disputed Claims, distributions on account of any such Disputed Claims shall be made pursuant to the provisions set forth in Article VII of the Plan. Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a distribution in excess of the Allowed amount of such Claim plus any interest accruing on such Claim that is actually payable in accordance with the Plan.

2. *Rights and Powers of the Debtors and the Plan Administrator*

(a) Powers of the Debtors and the Plan Administrator

Except as otherwise set forth herein, all distributions under the Plan shall be made on the Effective Date or as soon as reasonably practicable thereafter by the Debtors or the Plan Administrator (or its designee(s)), the timing of which shall, in consultation with the Term Loan Agent as to the Term Loan Lender Distribution, be subject to the reasonable discretion of the Debtors or the Plan Administrator, as applicable.

After the Effective Date, the Plan Administrator and its designees or representatives shall have the right to object to, Allow, or otherwise resolve any General Unsecured Claim or Priority Claim, subject to the terms of the Plan.

The Debtors and the Plan Administrator, as applicable, shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. Additionally, in the event that the Plan Administrator is so ordered after the Effective Date, all costs and expenses of procuring any such bond or surety shall be paid for with Cash from the Post-Effective Date Debtor Reserve.

(b) Expenses Incurred On or After the Effective Date

Except as otherwise ordered by the Bankruptcy Court, the fees and expenses incurred by the Plan Administrator on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement Claims (including attorney fees and expenses) made by the Plan Administrator shall be paid without any further notice to or action, order, or approval of the Bankruptcy Court in Cash from (a) the GUC Reserve if such amounts relate to GUC Administration Costs, and (b) the Post-Effective Date Debtor Reserve if such amounts relate to any other actions taken under the Plan.

3. *Delivery of Distributions and Undeliverable or Unclaimed Distributions*

(a) Record Date for Distribution

On the Distribution Record Date, the Claims Register shall be closed and the Debtors, the Plan Administrator, or any other party responsible for making distributions shall instead be authorized and entitled to recognize only those record Holders listed on the Claims Register as of the close of business on the Distribution Record Date.

(b) Delivery of Distributions in General

(i) Payments and Distributions on Disputed Claims

Distributions made after the Effective Date to Holders of Disputed Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall, in the reasonable discretion of the Plan Administrator, be deemed to have been made by the Plan Administrator on the Effective Date unless the Plan Administrator and the Holder of such Claim agree otherwise.

(ii) Special Rules for Distributions to Holders of Disputed Claims

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by, as applicable, the Debtors or the Plan Administrator, as applicable, on the one hand, and the Holder of a Disputed Claim, on the other

hand, no partial payments and no partial distributions shall be made with respect to any Disputed Claim, other than with respect to Professional Claims, until all Disputed Claims held by the Holder of such Disputed Claim have become Allowed Claims or have otherwise been resolved by settlement or Final Order.

(iii) Distributions

On and after the Effective Date, the Debtors and the Plan Administrator, as applicable, shall make the distributions required to be made on account of Allowed Claims under the Plan. Distributions on account of Allowed Class 4 Claims shall be deposited with the Term Loan Agent, at which time such distribution shall be deemed complete, and the Term Loan Agent shall deliver such distributions in accordance with the Plan and the terms of the Term Loan Documents. Any distribution that is not made on the Initial Distribution Date or on any other date specified in the Plan because the Claim that would have been entitled to receive that distribution is not an Allowed Claim on such date, shall be held by the Plan Administrator in the Administrative and Priority Claims Reserve, the GUC Reserve, or the Disputed Claims Reserve, as applicable, and distributed on the next Subsequent Distribution Date that occurs after such Claim is Allowed. In accordance with Article VII.D of the Plan, no interest shall accrue or be paid on the unpaid amount of any distribution paid pursuant to the Plan.

(c) Minimum; De Minimis Distributions

No Cash payment of less than \$100.00, in the reasonable discretion of the Debtors or the Plan Administrator, as applicable, shall be made to a Holder of an Allowed Claim on account of such Allowed Claim.

(d) Undeliverable Distributions and Unclaimed Property

In the event that any distribution to any Holder is returned as undeliverable, no distribution to such Holder shall be made unless and until the Debtors or the Plan Administrator, as applicable, has determined the then current address of such Holder, at which time such distribution shall be made to such Holder without interest; *provided, however*, that such distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of three months from the date the initial distribution is made. After such date, all unclaimed property or interests in property shall revert (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary) to the Post-Effective Date Debtor automatically and without need for a further order by the Bankruptcy Court for distribution in accordance with the Plan and the Claim of any Holder to such property or interest in property shall be released, settled, compromised, and forever barred; *provided*, that such unclaimed property or interests in property on account of Allowed General Unsecured Claims held by Participating GUC Holders shall be allocated to the GUC Reserve for further distribution to other Participating GUC Holders of Allowed General Unsecured Claims in accordance herewith.

(e) Manner of Payment Pursuant to the Plan

Any payment in Cash to be made pursuant to the Plan shall be made at the election of the Debtors or the Plan Administrator, as applicable, by check or by wire transfer.

4. *Compliance with Tax Requirements/Allocations*

In connection with the Plan and all distributions thereunder, to the extent applicable, the Debtors or the Plan Administrator, as applicable, are authorized to take any and all actions that may be necessary or appropriate to comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and all distributions pursuant hereto shall be subject to such withholding and reporting requirements. The Plan Administrator is authorized to require that any Holder of an Allowed Claim provide it with all forms and information required to comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit (the "Required Tax Documents") as a condition precedent to being sent a distribution. In the event that a Holder fails to return Required Tax Documents within 45 days after a written request by the Plan Administrator, such Holder, its Claim, and all distributions on account of such Holder's Claim shall be treated as an undeliverable distributions and unclaimed property in accordance with Article VI.C.4 of the Plan.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

5. *Claims Paid or Payable by Third Parties*

(a) Claims Paid by Third Parties; Recourse to Collateral

The Debtors or the Plan Administrator, as applicable, shall be authorized to reduce in full a Claim, and such Claim shall be disallowed without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or the Post-Effective Date Debtor, as applicable, including on account of recourse to collateral held by third parties that secure such Claim. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor on account of such Claim, such Holder shall, within 14 days of receipt thereof, repay or return the distribution to the applicable Debtor, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan. The failure of such Holder to timely repay or return such distribution shall result in the Holder owing the applicable Debtor annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the 14-day grace period specified above until the amount is repaid.

(b) Claims Payable by Insurance, Third Parties; Recourse to Collateral

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies, surety agreements, other non-Debtor payment agreements, or collateral held by a third party, until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy, surety agreement, other non-Debtor payment agreement, or collateral, as applicable. To the extent that one or more of the Debtors' insurers, sureties, or non-Debtor payors pays or satisfies in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), or such collateral or proceeds from such collateral is used to satisfy such Claim, then immediately upon such payment, the applicable portion of such Claim shall be expunged without a Claim objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(c) Applicability of Insurance Policies

Notwithstanding anything to the contrary in the Plan or Confirmation Order, Confirmation and Consummation of the Plan shall not limit or affect the rights of any third-party beneficiary or other covered party of any of the Debtor's insurance policies with respect to such policies, including the D&O Policies.

F. *Procedures for Resolving Contingent, Unliquidated, and Disputed Claims and Interests*

1. *Resolution of Disputed Claims*

(a) Allowance of Claims and Interests

Prior to the Effective Date, the Debtors, and on and after the Effective Date, the Plan Administrator, shall have and shall retain any and all rights and defenses that the Debtors had with respect to any Claim or Interest, except with respect to any Claim or Interest deemed Allowed as of the Effective Date. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim or Interest shall become an Allowed Claim or Interest unless and until such Claim or Interest is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Cases allowing such Claim.

(b) Prosecution of Objections to Claims

Other than with respect to Professional Fee Claims, prior to the Effective Date, the Debtors, and on or after the Effective Date, the Plan Administrator shall have the authority to File objections to such Claims, and the exclusive authority to settle, compromise, withdraw, or litigate to judgment objections on behalf of the Debtors' Estates to any and all such Claims, regardless of whether such Claims are in a Class or otherwise, subject to the terms of the Plan (including Articles IV.F.3 and VI.B of the Plan). From and after the Effective Date, the Plan Administrator or its designee(s) shall have the sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises and no further notice to or action, order, or approval of the Bankruptcy Court with respect to such settlements or compromises shall be required.

(c) Claims Estimation

On and after the Effective Date, the Plan Administrator, may, at any time, request that the Bankruptcy Court estimate any Claim that is contingent or unliquidated pursuant to applicable law, including, without limitation, section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or the Plan Administrator have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to the maximum extent permitted by law as determined by the Bankruptcy Court to estimate any contingent or unliquidated Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such objection.

Notwithstanding any provision herein or in the Plan to the contrary, a Claim that has been expunged from the Claims Register but that is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court. In the event that the Bankruptcy Court estimates any contingent Claim or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under the Plan, including for purposes of distributions, and the Debtors or the Plan Administrator as applicable, may elect to pursue additional objections to the ultimate distribution on such Claim. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Plan Administrator, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate distribution on account of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before 21 days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

(d) Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims Register by, as applicable, the Debtors or the Plan Administrator (or the Notice and Claims Agent at, as applicable, the Debtors' or the Plan Administrator's direction), and any Claim that has been amended may be adjusted thereon by, as applicable, the Debtors or the Plan Administrator without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(e) Deadline to File Objections to Claims or Interests

Any objections to Claims or Interests shall be Filed no later than the Claims Objection Bar Date.

2. *Disallowance of Claims*

To the maximum extent provided by section 502(d) of the Bankruptcy Code, all Claims of any Entity from which property is recoverable by the Debtors or the Plan Administrator, as applicable, under section 542, 543, 550, or 553 of the Bankruptcy Code or that the Debtors or the Plan Administrator, as applicable, alleges is a transferee of

a transfer that is avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549, or 724(a) of the Bankruptcy Code shall be disallowed if (1) the Entity, on the one hand, and the Debtors or the Plan Administrator, as applicable, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Entity or transferee is liable to turnover any property or monies under any of the aforementioned sections of the Bankruptcy Code, and (2) such Entity or transferee has failed to turnover such property by the date set forth in such agreement or Final Order.

3. *Amendments to Claims*

After the Confirmation Date, a Claim or Interest may not be filed or amended without the authorization of the Bankruptcy Court and any such new or amended Claim or Interest Filed shall be deemed disallowed and expunged without any further notice to or action, order, or approval of the Bankruptcy Court; *provided, that* such Holder may amend the Claim or Interest Filed solely to decrease, but not to increase, the amount, number, or priority of such Claim or Interest, unless otherwise provided by the Bankruptcy Court.

4. *No Interest*

Unless otherwise specifically provided for in the Plan (including Article III of the Plan), by applicable law (including, without limitation, section 506(b) of the Bankruptcy Code), or agreed-to by, as applicable, the Debtors or the Plan Administrator, interest shall not accrue or be paid on any Claim, and no Holder of any Claim shall be entitled to interest accruing on and after the Petition Date on account of any Claim. Without limiting the foregoing, interest shall not accrue or be paid on any Claim after the Effective Date to the extent the final distribution paid on account of such Claim occurs after the Effective Date.

G. *Settlement, Release, Injunction, and Related Provisions*

1. *Compromise and Settlement of Claims, Interests, and Controversies*

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the distributions, rights, and treatment that are provided in the Plan shall be in complete settlement, compromise, and release, effective as of the Effective Date, of Claims, Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent such Claims or Interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or proof of Interest based upon such debt, right, or Interest is Filed or deemed Filed pursuant to section 501 of the Bankruptcy Code; (2) a Claim or Interest based upon such debt, right, or Interest is Allowed pursuant to section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Interest has accepted the Plan. Any default by the Debtors or their Affiliates with respect to any Claim or Interest that existed immediately before or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be a judicial determination of the settlement, compromise, and release of all Claims and Interests, subject to the Effective Date occurring.

2. *Release of Liens*

Except as otherwise provided in the Plan or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan and, in the case of a Secured Claim, satisfaction in full of the portion of the Secured Claim that is Allowed as of the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released, settled, and compromised and all rights,

titles, and interests of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall revert to the Debtors.

3. *Subordinated Claims*

The allowance, classification, and treatment of all Allowed Claims and Interests and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims and Interests in each Class in connection with any contractual, legal, and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. Pursuant to section 510 of the Bankruptcy Code, the Debtors reserve the right for the Debtors or the Plan Administrator, as applicable, to re-classify any Allowed Claim or Interest in accordance with any contractual, legal, or equitable subordination relating thereto.

4. *Debtor Release*

ON AND EFFECTIVE AS OF THE EFFECTIVE DATE, AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, EACH DEBTOR ON BEHALF OF ITSELF, ITS ESTATE, AND THE POST-EFFECTIVE DATE DEBTOR (SUCH THAT THE POST-EFFECTIVE DATE DEBTOR WILL NOT HOLD ANY CLAIMS OR CAUSES OF ACTION RELEASED PURSUANT TO ARTICLE VIII.D OF THE PLAN), FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE RELEASED PARTIES, SHALL BE DEEMED TO PROVIDE A FULL RELEASE TO EACH OF THE RELEASED PARTIES (AND EACH SUCH RELEASED PARTY SHALL BE DEEMED RELEASED BY EACH DEBTOR AND ITS ESTATE) AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CAUSES OF ACTION AND ANY OTHER CLAIMS, DEBTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, ACTIONS, DERIVATIVE CLAIMS, REMEDIES, AND LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING AS OF THE EFFECTIVE DATE, IN LAW, AT EQUITY, OR OTHERWISE, WHETHER FOR TORT, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS, OR OTHERWISE, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE OR CIRCUMSTANCES EXISTING OR TAKING PLACE PRIOR TO OR ON THE EFFECTIVE DATE ARISING FROM OR RELATED IN ANY WAY TO THE DEBTORS, THE PLAN, THIS DISCLOSURE STATEMENT, THE SALE TRANSACTION, ANY RESTRUCTURING OF CLAIMS OR INTERESTS UNDERTAKEN PRIOR TO THE PETITION DATE, THE BIDDING AND SALE PROCESS FOR ANY ASSETS OF ANY DEBTOR, OR THESE CHAPTER 11 CASES, INCLUDING THOSE THAT THE DEBTORS OR THE POST-EFFECTIVE DATE DEBTOR WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT OR THAT ANY HOLDER OF A CLAIM AGAINST OR INTEREST IN THE DEBTORS OR ANY OTHER ENTITY COULD HAVE BEEN LEGALLY ENTITLED TO ASSERT DERIVATIVELY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES; *PROVIDED, HOWEVER, THAT* THE FOREGOING “DEBTOR RELEASE” SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION OF ANY DEBTOR OR THEIR RESPECTIVE CHAPTER 11 ESTATES AGAINST A RELEASED PARTY ARISING UNDER (1) ANY OBLIGATION OWED TO THE DEBTORS THAT IS ENTERED INTO, ALLOWED, PRESERVED, OR ASSUMED PURSUANT TO THE PLAN (INCLUDING THE POST-EFFECTIVE DATE DEBTOR CAUSES OF ACTION WHICH SHALL INCLUDE THOSE CAUSES OF ACTION IDENTIFIED IN THE PLAN SUPPLEMENT AS BEING RETAINED), (2) THE CONFIRMATION ORDER, OR (3) THE PURCHASE AGREEMENT.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, *AND, FURTHER*, SHALL CONSTITUTE THE BANKRUPTCY COURT’S FINDING THAT THE DEBTOR RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS’ ESTATES AND ALL HOLDERS OF CLAIMS AND INTERESTS; (4) FAIR, EQUITABLE, AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS’ ESTATES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

5. *Third Party Release*

ON AND EFFECTIVE AS OF THE EFFECTIVE DATE, AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, EACH OF THE RELEASING PARTIES, IN CONSIDERATION FOR THE OBLIGATIONS OF THE DEBTORS UNDER THE PLAN AND THE CASH AND OTHER CONSIDERATION, CONTRACTS, INSTRUMENTS, RELEASES, AGREEMENTS OR DOCUMENTS TO BE DELIVERED IN CONNECTION WITH THE PLAN, SHALL HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER, RELEASED AND DISCHARGED EACH DEBTOR, THIRD PARTY RELEASEE, AND EACH OF THE FOREGOING ENTITIES' RESPECTIVE PREDECESSORS, SUCCESSORS AND ASSIGNS, PROFESSIONALS REPRESENTATIVES, ADVISORS, ATTORNEYS, FINANCIAL ADVISORS, AND OTHER AGENTS FROM ANY CLAIM, RETAINED ACTION, OBLIGATION, SUIT, JUDGMENT, DAMAGE, DEMAND, DEBT, RIGHT, CAUSE OF ACTION, LIABILITY, WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING AS OF THE EFFECTIVE DATE ARISING FROM, BASED UPON OR RELATING TO, IN WHOLE OR IN PART, (1) THE SUBJECT MATTER OF, OR THE TRANSACTION OR EVENT GIVING RISE TO, THE CLAIM OF SUCH RELEASING PARTY AGAINST ANY OF THE DEBTORS, AND ANY ACT, OMISSION, OCCURRENCE OR EVENT IN ANY MANNER RELATED TO THE CHAPTER 11 CASES OR SUCH SUBJECT MATTER, TRANSACTION OR OBLIGATION OR (2) THE PRIOR OR EXISTING BUSINESS OR OPERATIONS OF ANY OF THE DEBTORS; *PROVIDED, HOWEVER*, THAT THE FOREGOING "THIRD PARTY RELEASE" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION (A) OF ANY DEBTOR OR THEIR RESPECTIVE CHAPTER 11 ESTATES OR RELEASING PARTY AGAINST A THIRD PARTY RELEASEE ARISING UNDER (1) ANY OBLIGATION OWED TO THE DEBTORS THAT IS ENTERED INTO, ALLOWED, PRESERVED, OR ASSUMED PURSUANT TO THE PLAN (INCLUDING THE POST-EFFECTIVE DATE DEBTOR CAUSES OF ACTION WHICH SHALL INCLUDE THOSE CAUSES OF ACTION IDENTIFIED IN THE PLAN SUPPLEMENT AS BEING RETAINED), THE CONFIRMATION ORDER, OR THE PURCHASE AGREEMENT, (2) THE CORAL SPRINGS LOAN AND THE CORAL SPRINGS GUARANTY, OR (3) THE MEDIA REVOLVING CREDIT AGREEMENT, OR (B) BY, AMONG, AND AGAINST ANY OF THE THIRD PARTY RELEASEES WHICH ARE PARTIES TO THE MEDIA REVOLVING CREDIT AGREEMENT AND THE OTHER AGREEMENTS, DOCUMENTS AND INSTRUMENTS ENTERED INTO IN CONNECTION WITH THE MEDIA REVOLVING CREDIT AGREEMENT, INCLUDING WITHOUT LIMITATION THE INTERCREDITOR AGREEMENTS BY AND AMONG THE MEDIA REVOLVING CREDIT FACILITY AGENT, MEDIA FIRST LIEN TERM LOAN AGENT AND THE MEDIA SECOND LIEN TERM LOAN AGENT.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THIS THIRD PARTY RELEASE BY RELEASING PARTIES, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, *AND, FURTHER*, SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING THAT THIS THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE THIRD PARTY RELEASEES; (2) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (3) FAIR, EQUITABLE AND REASONABLE; (4) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (5) A BAR TO ANY RELEASING PARTY ASSERTING ANY CLAIM RELEASED PURSUANT TO THIS THIRD PARTY RELEASE.

Any Holder permitted to vote on the Plan may opt out of the consensual Third Party Release provided in Article VIII.E of the Plan by checking the appropriate box to do so on such Holder's Ballot. Because the Third Party Release is consensual, if such Holder checks the appropriate box, it will not be bound by the Third Party Release. The election to withhold consent to grant such release is at such Holder's option, and any such Holder that fails to vote will be deemed to have consented to the Third Party Release. Likewise, any such Holder that votes to accept or reject the Plan and submits a Ballot without checking the box to opt out of the Third Party Release will be deemed to consent to the Third Party Release. Accordingly, the Debtors urge Holders permitted to vote on the Plan to thoroughly read their Ballots, including their right to opt out of the Third Party Release.

The Debtors believe the Third Party Release is entirely consensual under the established case law in the United States Bankruptcy Court for the District of Delaware. *See Indianapolis Downs, LLC*, 486 B.R. 286, 304–06 (Bankr. D. Del. 2013). The Debtors will be prepared to meet their burden to establish the basis for the releases, exculpations, and injunctions provided by the Plan as part of Confirmation of the Plan.

As more fully explained above and in the Plan, the effect of this consensual Third Party Release will be a full and final release of any and all causes of action and all other claims against certain parties as of the Effective Date of the Plan, to the extent such causes of action or claims relate, generally, to the subject matter of the Holders' Claim or the prior or existing business or operations of the Debtors. Such consensual release will include both known and unknown causes of action and claims. As described more fully in the Plan, the parties receiving releases include (a) the Debtors, (b) the Revolving Credit Facility Agent (solely in such capacity) and Revolving Lenders (solely in such capacity), (c) the Term Loan Agent and Lenders, (d) Source Media, (e) the parties holding, or controlling the holders of, Interests in the Debtors and Source Media, (f) the past and present directors and officers of the Debtors and Source Media, (g) certain lenders to Source Media (subject to certain conditions as set forth in the Plan), (h) the Coral Springs Lender (subject to certain conditions as set forth in the Plan), and (i) each of the foregoing entities' respective predecessors, successors and assigns, professionals, representatives, advisors, attorneys, financial advisors, and other agents. As explained more fully below and in the Plan, the Holders who do not opt out of the Third Party Release will receive mutual releases from the Third Party Releasees.

6. *Release by Third Party Releasees*

ON AND EFFECTIVE AS OF THE EFFECTIVE DATE, AND TO THE FULLEST EXTENT AUTHORIZED BY APPLICABLE LAW, EACH OF THE THIRD PARTY RELEASEES, IN CONSIDERATION FOR THE OBLIGATIONS OF THE DEBTORS UNDER THE PLAN AND THE CASH AND OTHER CONSIDERATION, CONTRACTS, INSTRUMENTS, RELEASES, AGREEMENTS OR DOCUMENTS TO BE DELIVERED IN CONNECTION WITH THE PLAN, SHALL HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND FOREVER, RELEASED AND DISCHARGED EACH RELEASING PARTY FROM ANY CLAIM, RETAINED ACTION, OBLIGATION, SUIT, JUDGMENT, DAMAGE, DEMAND, DEBT, RIGHT, CAUSE OF ACTION, LIABILITY, WHETHER LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING AS OF THE EFFECTIVE DATE ARISING FROM, BASED UPON OR RELATING TO, IN WHOLE OR IN PART, (1) THE SUBJECT MATTER OF, OR THE TRANSACTION OR EVENT GIVING RISE TO, THE CLAIM OF SUCH RELEASING PARTY AGAINST ANY OF THE DEBTORS, AND ANY ACT, OMISSION, OCCURRENCE OR EVENT IN ANY MANNER RELATED TO THE CHAPTER 11 CASES OR SUCH SUBJECT MATTER, TRANSACTION OR OBLIGATION OR (2) THE PRIOR OR EXISTING BUSINESS OR OPERATIONS OF ANY OF THE DEBTORS; *PROVIDED, HOWEVER*, THAT THE FOREGOING "RELEASE BY THIRD PARTY RELEASEES" SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION (A) OF ANY DEBTOR OR THEIR RESPECTIVE CHAPTER 11 ESTATES OR THIRD PARTY RELEASEE AGAINST A RELEASING PARTY ARISING UNDER (1) ANY OBLIGATION OWED TO THE DEBTORS THAT IS ENTERED INTO, ALLOWED, PRESERVED, OR ASSUMED PURSUANT TO THE PLAN (INCLUDING THE POST-EFFECTIVE DATE DEBTOR CAUSES OF ACTION WHICH SHALL INCLUDE THOSE CAUSES OF ACTION IDENTIFIED IN THE PLAN SUPPLEMENT AS BEING RETAINED), THE CONFIRMATION ORDER, OR THE PURCHASE AGREEMENT, (2) THE CORAL SPRINGS LOAN AND THE CORAL SPRINGS GUARANTY, OR (3) THE MEDIA REVOLVING CREDIT AGREEMENT, OR (B) BY, AMONG, AND AGAINST ANY OF THE THIRD PARTY RELEASEES WHICH ARE PARTIES TO THE MEDIA REVOLVING CREDIT AGREEMENT AND THE OTHER AGREEMENTS, DOCUMENTS AND INSTRUMENTS ENTERED INTO IN CONNECTION WITH THE MEDIA REVOLVING CREDIT AGREEMENT, INCLUDING WITHOUT LIMITATION THE INTERCREDITOR AGREEMENTS BY AND AMONG THE MEDIA REVOLVING CREDIT FACILITY AGENT, MEDIA FIRST LIEN TERM LOAN AGENT AND THE MEDIA SECOND LIEN TERM LOAN AGENT.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THIS RELEASE BY THIRD PARTY RELEASEES, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, *AND, FURTHER*, SHALL CONSTITUTE THE BANKRUPTCY

COURT'S FINDING THAT THIS RELEASE BY THIRD PARTY RELEASEES IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASING PARTIES; (2) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND INTERESTS; (3) FAIR, EQUITABLE AND REASONABLE; (4) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (5) A BAR TO ANY THIRD PARTY RELEASEES ASSERTING ANY CLAIM RELEASED PURSUANT TO THIS RELEASE BY THIRD PARTY RELEASEES.

7. *Exculpation*

The Exculpated Parties shall neither have, nor incur any liability to any Entity for any prepetition or postpetition act taken or omitted to be taken in connection with the Chapter 11 Cases, or related to formulating, negotiating, soliciting, preparing, disseminating, confirming, or implementing the Plan or consummating the Plan, this Disclosure Statement, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring or liquidation of the Debtors; *provided, that* each Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, the Plan or any other related document, instrument, or agreement. Without limiting the foregoing "Exculpation" provided under Article VIII.G of the Plan, the rights of any Holder of a Claim or Interest to enforce rights arising under the Plan shall be preserved, including the right to compel payment of distributions in accordance with the Plan.

8. *Injunction*

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT: (1) ARE SUBJECT TO COMPROMISE AND SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (2) HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.D OF THE PLAN; (3) HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.E OR ARTICLE VIII.F OF THE PLAN; (4) ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VIII.G OF THE PLAN; OR (5) ARE OTHERWISE STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND, INCLUDING ON ACCOUNT OF ANY CLAIMS, INTERESTS, CAUSES OF ACTIONS, OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED AGAINST THE DEBTORS, THE POST-EFFECTIVE DATE DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE DEBTORS, THE POST-EFFECTIVE DATE DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN, CLAIM, OR ENCUMBRANCE OF ANY KIND AGAINST THE DEBTORS, THE POST-EFFECTIVE DATE DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH SETOFF OR

SUBROGATION RIGHT PRIOR TO CONFIRMATION IN A DOCUMENT FILED WITH THE BANKRUPTCY COURT EXPLICITLY PRESERVING SUCH SETOFF OR SUBROGATION; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE POST-EFFECTIVE DATE DEBTOR, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES RELEASED, SETTLED, OR COMPROMISED PURSUANT TO THE PLAN; *PROVIDED, THAT* NOTHING CONTAINED IN THE PLAN SHALL PRECLUDE AN ENTITY FROM OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO SUCH ENTITY PURSUANT TO THE TERMS OF THE PLAN; *PROVIDED, FURTHER, THAT* NOTHING CONTAINED IN THE PLAN SHALL BE CONSTRUED TO PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR OTHERWISE TO THE EXTENT PERMITTED BY LAW.

9. *Parties Unaffected by the Releases*

For the avoidance of doubt, the forgoing Debtor Release, Third Party Release, and Release by Third Party Releasees shall not apply to or bind (1) any creditor or Holder of a Claim against the Debtors that opts out of the third party release by checking the box on a Ballot and returning such Ballot in accordance with the Disclosure Statement Order, and (2) any Entity that is not a creditor of the Debtors and is not obtaining a release under the Plan.

10. *Waiver of Statutory Limitations on Releases*

EACH RELEASING PARTY IN EACH OF THE RELEASES CONTAINED IN THE PLAN (INCLUDING UNDER ARTICLE VIII OF THE PLAN) EXPRESSLY ACKNOWLEDGES THAT ALTHOUGH ORDINARILY A GENERAL RELEASE MAY NOT EXTEND TO CLAIMS WHICH THE RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE PARTY RELEASED, THEY HAVE CAREFULLY CONSIDERED AND TAKEN INTO ACCOUNT IN DETERMINING TO ENTER INTO THE ABOVE RELEASES THE POSSIBLE EXISTENCE OF SUCH UNKNOWN LOSSES OR CLAIMS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, EACH RELEASING PARTY EXPRESSLY WAIVES ANY AND ALL RIGHTS CONFERRED UPON IT BY ANY STATUTE OR RULE OF LAW WHICH PROVIDES THAT A RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CLAIMANT DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY IT MAY HAVE MATERIALLY AFFECTED ITS SETTLEMENT WITH THE RELEASED PARTY, INCLUDING THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542. THE RELEASES CONTAINED IN ARTICLE VIII OF THE PLAN ARE EFFECTIVE REGARDLESS OF WHETHER THOSE RELEASED MATTERS ARE PRESENTLY KNOWN, UNKNOWN, SUSPECTED OR UNSUSPECTED, FORESEEN OR UNFORESEEN. FOR THE AVOIDANCE OF DOUBT, THE DEBTORS, HOLDERS OF CLAIMS OR INTERESTS, RELEASING PARTIES, AND THIRD PARTY RELEASEES, BEING MADE AWARE OF SECTION 1542 AND SIMILAR LAWS AND COMMON LAW PRINCIPLES, HEREBY ARE DEEMED TO HAVE EXPRESSLY WAIVED ANY RIGHTS THAT ANY OF THEM MIGHT HAVE OR ASSERT THEREUNDER, TO THE EXTENT THAT SUCH SECTION RELATES TO ANY OF THE CLAIMS RELEASED PURSUANT TO ARTICLE VIII OF THE PLAN.

11. *Setoffs*

Except as otherwise provided in the Plan, prior to the Effective Date, the Debtors, and on and after the Effective Date, the Plan Administrator, pursuant to the Bankruptcy Code (including sections 553 and 558 of the Bankruptcy Code), applicable nonbankruptcy law, or as may be agreed to by the Holder of a Claim or Interest, may set off against any Allowed Claim or Interest on account of any Proof of Claim or proof of Interest or other pleading Filed with respect thereto prior to the Confirmation Hearing and the distributions to be made pursuant to the Plan on account of such Allowed Claim or Interest (before any distribution is made on account of such Allowed Claim or Interest), any claims, rights, and Causes of Action of any nature that the Debtors' Estates may hold against the Holder of such Allowed Claim or Interest, to the extent such claims, rights, or Causes of Action against such Holder

have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); *provided, that* neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by the Debtors or the Plan Administrator, as applicable, of any such claims, rights, and Causes of Action that the Debtors' Estates may possess against such Holder. In no event shall any Holder of Claims or Interests be entitled to set off any Claim or Interest against any claim, right, or Cause of Action of the Debtors' Estates unless such Holder has timely Filed a Proof of Claim with the Bankruptcy Court expressly preserving such setoff; *provided, that* nothing in the Plan shall prejudice or be deemed to have prejudiced the Debtors' or the Plan Administrator's right to assert that any Holder's setoff rights were required to have been asserted by motion or pleading filed with the Bankruptcy Court prior to the Effective Date.

H. *Confirmation and Substantial Consummation of the Plan*

1. *Condition Precedent to Confirmation of the Plan*

It shall be a condition to Confirmation of the Plan that the Third Party Releasees have not exercised the GUC Funding Election.

2. *Conditions Precedent to Consummation of the Plan*

It shall be a condition to Consummation of the Plan that the following conditions have been satisfied or waived pursuant to the provisions of Article IX.B of the Plan:

- (a) the Bankruptcy Court shall have entered the Confirmation Order in form and substance materially consistent with the Plan in all respects;
- (b) the Plan Administrator shall have been appointed and the Plan Administrator Agreement shall have been executed and become effective;
- (c) the GUC Administration Oversight Committee shall have been appointed;
- (d) all documents and agreements necessary to implement the Plan shall have (a) been tendered for delivery and (b) been effected or executed by all Entities party thereto, and all conditions precedent to the effectiveness of such documents and agreements shall have been satisfied or waived pursuant to the terms of such documents or agreements;
- (e) the Administrative and Priority Claims Reserve shall have been established and funded;
- (f) the Professional Fee Escrow shall have been established and funded;
- (g) the GUC Reserve shall have been established and funded in a separate, segregated account; and
- (h) the Post-Effective Date Debtor Distribution shall have occurred.

On the Effective Date, the Plan shall be deemed substantially consummated under sections 1101 and 1127(b) of the Bankruptcy Code.

3. *Waiver of Conditions*

The conditions to Confirmation of the Plan set forth in Article IX.A hereof are non-waivable. The conditions to Consummation of the Plan set forth in Article IX.B hereof may be waived by the Debtors, subject to Article X.A of the Plan.

4. *Effect of Non-Occurrence of Conditions to the Effective Date*

If the Effective Date does not occur, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall: (1) constitute a waiver or release of any claims by or Claims against or Interests in the Debtors; (2) prejudice in any manner the rights of the Debtors, the Debtors' Estates, any Holders, or any other Entity; or (3) constitute an admission, acknowledgment, offer, or undertaking by the Debtors, the Debtors' Estates, any Holders, or any other Entity in any respect.

I. *Modification, Revocation, or Withdrawal of the Plan*

1. *Modification and Amendments*

Subject to the limitations contained in the Plan, the Debtors reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not resolicit votes on such modified Plan; *provided, however*, that the Debtors shall not modify the Plan (1) as to material terms that adversely affect the rights of Holders of Term Loan Claims under the Plan, without the prior written consent of the Term Loan Agent, which consent shall not be unreasonably withheld, or (2) (a) as to material terms that adversely affect the rights of Holders of General Unsecured Claims under the Plan, or (b) in such a way that materially delays Confirmation of the Plan on the schedule set forth in the Disclosure Statement Order for a period greater than 70 days, in each case without the prior written consent of the Committee, which consent shall not be unreasonably withheld; *provided, further, however*, that to the extent the Debtors and the Term Loan Agent, or the Debtors and the Committee, cannot agree to a modification within the purview of the foregoing proviso, the applicable parties shall seek a determination from the Bankruptcy Court resolving the dispute as soon as reasonably practicable thereafter. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend, or modify materially the Plan with respect to the Debtors, one or more times, after Confirmation, and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan, this Disclosure Statement, or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article X of the Plan.

2. *Effect of Confirmation on Modifications*

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

3. *Revocation or Withdrawal of the Plan*

The Debtors reserve the right to revoke or withdraw the Plan, including the right to revoke or withdraw the Plan for any Debtor or all Debtors, prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan with respect to any Debtor, or if Confirmation or Consummation does not occur with respect to any Debtor, then: (1) the Plan with respect to such Debtor shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan with respect to such Debtor (including the fixing or limiting to an amount certain of any Claim or Interest or Class of Claims or Interests), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan with respect to such Debtor, and any document or agreement executed pursuant to the Plan with respect to such Debtor, shall be deemed null and void; and (3) nothing contained in the Plan with respect to such Debtor shall: (a) constitute a waiver or release of any Claims or Interests; (b) prejudice in any manner the rights of the Debtors, the Debtors' Estates, or any other Entity; or (c) constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors, the Debtors' Estates, or any other Entity.

J. *Retention of Jurisdiction*

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, on and after the Effective Date, the Bankruptcy Court shall retain jurisdiction over the Chapter 11 Cases and all matters, arising out of, or related to, the Chapter 11 Cases and the Plan, including jurisdiction to:

- (a) allow, disallow, determine, liquidate, classify, estimate, or establish the priority, Secured or unsecured status, or amount of any Claim or Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the Secured or unsecured status, priority, amount, or allowance of Claims or Interests;
- (b) decide and resolve all matters related to the granting and denying, in whole or in part, any applications for allowance of compensation or reimbursement of expenses to Professionals authorized pursuant to the Bankruptcy Code or the Plan;
- (c) resolve any matters related to: (a) the assumption and assignment or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable in any manner and to hear, determine, and, if necessary, liquidate, any Claims arising therefrom, including Claims related to the rejection of an Executory Contract or Unexpired Lease, Cure Costs pursuant to section 365 of the Bankruptcy Code, or any other matter related to such Executory Contract or Unexpired Lease; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Debtors or the Plan Administrator amending, modifying, or supplementing, after the Effective Date, pursuant to Article V of the Plan, any Executory Contracts or Unexpired Leases set forth on the list of Executory Contracts and Unexpired Leases to be assumed and assigned or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory or expired;
- (d) ensure that distributions to Holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
- (e) adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;
- (f) adjudicate, decide, or resolve any and all matters related to Causes of Action;
- (g) enter and implement such orders as may be necessary or appropriate to execute, implement, or consummate the provisions of the Plan and all contracts, instruments, releases, indentures, and other agreements or documents created in connection with the Plan or this Disclosure Statement;
- (h) enter and enforce any order for the sale of property pursuant to sections 363, 1123, or 1146(a) of the Bankruptcy Code;
- (i) resolve any cases, controversies, suits, disputes, or Causes of Action that may arise in connection with the Consummation, interpretation, or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
- (j) issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Entity with Consummation or enforcement of the Plan;

- (k) resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the settlements, compromises, releases, injunctions, exculpations, and other provisions contained in Article VIII of the Plan and enter such orders as may be necessary or appropriate to implement such releases, injunctions, and other provisions;
- (l) resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of distributions and the recovery of additional amounts owed by the Holder of a Claim or Interest for amounts not timely repaid pursuant to Article VI.E.1 of the Plan;
- (m) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;
- (n) determine any other matters that may arise in connection with or relate to the Plan, this Disclosure Statement, the Confirmation Order, or any contract, instrument, release, indenture, or other agreement or document created in connection with the Plan or this Disclosure Statement;
- (o) adjudicate any and all disputes arising from or relating to distributions under the Plan or any transactions contemplated therein;
- (p) consider any modifications of the Plan, to cure any defect or omission, or to reconcile any inconsistency in any Bankruptcy Court order, including the Confirmation Order;
- (q) determine requests for the payment of Claims and Interests entitled to priority pursuant to section 507 of the Bankruptcy Code;
- (r) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan, or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;
- (s) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (t) hear and determine all disputes involving the existence, nature, or scope of the Debtors' release, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;
- (u) enforce all orders previously entered by the Bankruptcy Court;
- (v) hear any other matter not inconsistent with the Bankruptcy Code;
- (w) enter an order concluding or closing the Chapter 11 Cases; and
- (x) enforce the injunction, release, and exculpation provisions set forth in Article VIII of the Plan.

K. *Miscellaneous Provisions*

1. *Immediate Binding Effect*

Subject to the terms hereof and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan, the Plan Supplement, and the Confirmation Order shall be immediately effective and enforceable and deemed binding upon the Debtors, the Debtors' Estates, the

Post-Effective Date Debtor, the Plan Administrator, and any and all Holders of Claims or Interests (regardless of whether such Claims or Interests are deemed to have accepted or rejected the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, and injunctions described in the Plan, each Entity acquiring property under the Plan or the Confirmation Order, and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors. All Claims and debts shall be as fixed, adjusted, or compromised, as applicable, pursuant to the Plan regardless of whether any Holder of a Claim or debt has voted on the Plan.

2. *Additional Documents*

On or before the Effective Date, the Debtors may File with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors and all Holders of Claims or Interests receiving distributions pursuant to the Plan and all other parties in interest shall, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan.

3. *Dissolution of Committee*

On the Effective Date, the Committee shall dissolve and members thereof shall be compromised, settled, and released from all rights and duties from or related to the Chapter 11 Cases, except the Committee will remain intact solely with respect to the preparation, filing, review, and resolution of applications for Professional Fee Claims. The Debtors and the Post-Effective Date Debtor shall have no obligation to pay any fees or expenses incurred after the Effective Date by the Committee or the Committee Members.

4. *Reservation of Rights*

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court shall enter the Confirmation Order. Neither the Plan, any statement or provision contained in the Plan, nor any action taken or not taken by the Debtors or any Debtor with respect to the Plan, this Disclosure Statement, the Confirmation Order, or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of the Debtors or any Debtor with respect to the Holders of Claims or Interests prior to the Effective Date.

5. *Successors and Assigns*

The rights, benefits, and obligations of any Entity named or referred to in the Plan or the Confirmation Order shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, Affiliate, officer, director, agent, representative, attorney, beneficiaries, or guardian, if any, of each Entity.

6. *Service of Documents*

Any pleading, notice, or other document required by the Plan to be served on or delivered to the following entities and shall be served via first class mail, overnight delivery, or messenger on:

If to the Debtors or the Plan Administrator, to:

Source Home Entertainment, LLC
c/o FTI Consulting
8251 Greensboro Drive
Suite 400
McLean, Virginia 22102
Attn: Joshua Korsower/Stephen Dubé

with copies to:

Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654

Attn.: David L. Eaton, Michael W. Weitz, and Ben Winger

Young Conaway Stargatt & Taylor, LLP
Rodney Square
1000 North King Street
Wilmington Delaware 19801
Attn: Robert S. Brady, Pauline K. Morgan, and Edmon L. Morton

If to the GUC Administration Oversight Committee, to:

[•]

with copies to:

Lowenstein Sandler LLP
65 Livingston Avenue
Roseland, New Jersey 07068
Attn: Bruce Buechler

Duane Morris LLP
222 Delaware Avenue
Wilmington, Delaware 19801
Attn: Christopher M. Winter

7. *Term of Injunctions or Stays*

Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the later of the maximum extent permitted by law or the closing of the Chapter 11 Cases. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

8. *Entire Agreement*

Except as otherwise indicated, the Plan, the Confirmation Order, and the Plan Supplement supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

9. *Nonseverability of Plan Provisions*

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is: (1) valid and enforceable pursuant to its terms; (2) integral to the Plan and may not be deleted or modified without the consent of the Debtors; and (3) nonseverable and mutually dependent.

10. *Waiver or Estoppel*

Each Holder of a Claim or an Interest shall be deemed to have waived any right to assert any argument, including the right to argue that its Claim or Interest should be Allowed in a certain amount, in a certain priority, Secured or not subordinated by virtue of an agreement made with the Debtors or their counsel, or any other Entity, if such agreement was not disclosed in the Plan, this Disclosure Statement, or papers Filed with the Bankruptcy Court before the Confirmation Date.

ARTICLE VIII.

STATUTORY REQUIREMENTS FOR CONFIRMATION OF THE PLAN

The following is a brief summary of the confirmation process. Holders of Claims and Interests are encouraged to review the relevant provisions of the Bankruptcy Code and to consult their own advisors with respect to the summary provided in this Disclosure Statement.

A. *Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires a bankruptcy court, after notice, to conduct a hearing to consider confirmation of a chapter 11 plan. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan. **The Bankruptcy Court has scheduled the Confirmation Hearing for February 20, 2015, at 9:00 a.m., prevailing Eastern Time.** The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or the Filing of a notice of such adjournment served in accordance with the order approving this Disclosure Statement and Solicitation Procedures. Any objection to the Plan must: (1) be in writing; (2) conform to the Bankruptcy Rules and the Local Rules for the United States Bankruptcy Court for the District of Delaware; (3) state the name, address, phone number, and email address of the objecting party and the amount and nature of the Claim or Interest of such entity, if any; (4) state with particularity the basis and nature of any objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and (5) be Filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** by the following notice parties set forth below no later than the Plan Objection Deadline. **Unless an objection to the Plan is timely served and Filed, it may not be considered by the Bankruptcy Court.**

<i>Co-Counsel to the Debtors</i>	
Paul M. Basta, P.C. (admitted <i>pro hac vice</i>) KIRKLAND & ELLIS LLP 601 Lexington Avenue New York, New York 10022 - and - David L. Eaton (admitted <i>pro hac vice</i>) Michael W. Weitz (admitted <i>pro hac vice</i>) KIRKLAND & ELLIS LLP 300 North LaSalle Chicago, Illinois 60654	Robert S. Brady (DE Bar No. 2847) Pauline K. Morgan (DE Bar No. 3650) Edmon L. Morton (DE Bar No. 3856) YOUNG CONAWAY STARGATT & TAYLOR, LLP Rodney Square 1000 North King Street Wilmington, Delaware 19801

<i>Counsel to the Committee</i>	
<p>LOWENSTEIN SANDLER LLP Bruce Buechler, Esq. Michael S. Etkin, Esq. 65 Livingston Avenue Roseland, New Jersey 07068</p> <p>- and -</p> <p>Bruce S. Nathan, Esq. 1251 Avenue of the Americas New York, New York 10020</p>	<p>DUANE MORRIS LLP Christopher M. Winter (DE Bar No. 4163) Jarret P. Hitchings (DE Bar. No. 5564) 222 Delaware Avenue, Suite 1600 Wilmington, Delaware 19801-1659</p>
<i>Counsel to Cortland Capital Market Services</i>	
<p>ROPES & GRAY LLP Alyson Allen (admitted <i>pro hac vice</i>) Matthew F. Burrows (admitted <i>pro hac vice</i>) Prudential Tower 800 Boylston Street Boston, Massachusetts 02199</p> <p>- and -</p> <p>ROPES & GRAY LLP Mark I. Bane (admitted <i>pro hac vice</i>) 1211 Avenue of the Americas New York, New York 10036</p>	<p>PEPPER HAMILTON LLP David B. Stratton (DE Bar No. 960) Evelyn J. Meltzer (DE Bar No. 4581) Hercules Plaza, Suite 5100 1313 N. Market Street P.O. Box 1709 Wilmington, Delaware 19801</p>
<i>U.S. Trustee</i>	
<p>Office of the United States Trustee The District of Delaware 844 King Street, Suite 2207 Wilmington, Delaware 19801 Attn: Mark Kenney</p>	

B. Confirmation Standards

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code and that they have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code. Specifically, the Debtors believe that the Plan satisfies or will satisfy the applicable confirmation requirements of section 1129 of the Bankruptcy Code, including those set forth below.

1. *Feasibility*

The Bankruptcy Code requires that to confirm a chapter 11 plan, the Bankruptcy Court must find that confirmation of such plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor(s) unless contemplated by the plan.

The Plan provides for the liquidation and distribution of the Debtors' assets. Accordingly, the Debtors believe that all Plan obligations will be satisfied without the need for further reorganization of the Debtors.

2. *Best Interests of Creditors*

Notwithstanding acceptance of the Plan by a voting Impaired Class, to confirm the Plan, the Bankruptcy Court must still independently determine that the Plan is in the best interests of each Holder of a Claim or Interest in any such Impaired Class that has not voted to accept the Plan, meaning that the Plan provides each such Holder with a recovery that has a value at least equal to the value of the recovery that each such Holder would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code on the Effective Date. Accordingly, if

an Impaired Class does not unanimously vote to accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such Impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the recovery that each such Class member would receive if the Debtors were liquidated under chapter 7.

The Debtors believe that the Plan satisfies the best interests test because, among other things, the recoveries expected to be available to Holders of Allowed Claims under the Plan will be greater than the recoveries expected to be available in a chapter 7 liquidation, as discussed more fully below.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets and to make distributions to creditors in accordance with the priorities established in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of their collateral. If any assets remain in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses are next to be paid. Unsecured creditors are paid from any remaining sale proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, interest holders receive the balance that remains, if any, after all creditors are paid.

Substantially all of the assets of the Retail Display Business were liquidated through the Sale Transaction in accordance with the Purchase Agreement. Although the Plan effects a liquidation of the Debtors' remaining assets and a chapter 7 liquidation would achieve the same goal, the Debtors believe that the Plan provides a greater recovery to Holders of Allowed General Unsecured Claims than would a chapter 7 liquidation. Liquidating the Debtors' Estates under the Plan likely provides Holders of Allowed General Unsecured Claims with a larger, more timely recovery in part because of the expenses that would be incurred in a chapter 7 liquidation, including the potential added time (thereby reducing the present value of any recovery for Holders) and expense incurred by the chapter 7 trustee and any retained professionals in familiarizing themselves with the Chapter 11 Cases. *See, e.g.* 11 U.S.C. § 326(a) (providing for compensation of a chapter 7 trustee); 11 U.S.C. 503(b)(2) (providing administrative expense status for compensation and expenses of a chapter 7 trustee and such trustee's professionals). The conversion to chapter 7 would also require entry of a new bar date. *See* Fed. R. Bankr. P. 1019(2); 3002(c). Thus, the amount of Claims ultimately Filed and Allowed against the Debtors could materially increase, thereby further reducing creditor recoveries versus those available under the Plan.

Critically, the GUC Reserve Amount provided for certain Holders of General Unsecured Claims is solely the result of the Global Resolution, which is to be implemented through a chapter 11 plan, and such a recovery pool would not be available in a chapter 7 liquidation. Without the GUC Reserve Amount provided as a result of the Global Resolution, there would be no funds available to pay Holders of General Unsecured Claims. Moreover, distributions under the Plan reflect various accommodations provided by the Term Loan Lenders to pay Priority Claims, which must be paid in full before the Debtors can make any distributions to the Voting Classes. The Debtors believe that such accommodations would not be available in a chapter 7 liquidation.

Accordingly, the Debtors believe that the Plan is in the best interests of creditors.

C. *Alternative Plans*

The Debtors do not believe that there are any alternative plans for the reorganization or liquidation of the Debtors' Estates. The Debtors believe that the Plan, as described herein, enables Holders of Claims and Interests to realize the greatest possible value under the circumstances and that, compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated.

D. *Acceptance by Impaired Classes*

The Bankruptcy Code requires, as a condition to Confirmation, that, except as described in the following section, each class of claims or equity interests that is impaired under a plan accept the plan. A class that is not "impaired" under a plan is presumed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. Pursuant to section 1124 of the Bankruptcy Code, a class is "impaired" unless the plan: (1) leaves unaltered the legal, equitable, and contractual rights to which the claim or the equity interest

entitles the holder of such claim or equity interest; (2) cures any default, reinstates the original terms of such obligation, and compensates the applicable party in question; or (3) provides that, on the consummation date, the holder of such claim or equity interest receives cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled to any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired creditors as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject a plan. Thus, a Class of creditor Claims will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number actually voting cast their Ballots in favor of acceptance, subject to Article III of the Plan. Only Holders of Claims in the Voting Classes will be entitled to vote on the Plan.

Section 1126(d) of the Bankruptcy Code defines acceptance of a plan by a class of interests as acceptance by holders of at least two-thirds (2/3) in dollar amount of those interests who actually vote to accept or reject a plan. Votes that have been “designated” under section 1126(e) of the Bankruptcy Code are not included in the calculation of acceptance by a class of interests. Thus, a Class of Interests will have voted to accept the Plan only if two-thirds (2/3) in amount actually voting cast their Ballots in favor of acceptance, not counting designated votes, subject to Article III of the Plan. No Class including Holders of Interests is entitled to vote on the Plan.

Article III.E of the Plan provides in full: “If a Class contains Claims or Interests eligible to vote and no Holders of Claims or Interests eligible to vote in such Class vote to accept or reject the Plan, the Debtors shall request the Bankruptcy Court to deem the Plan accepted by the Holders of such Claims or Interests in such Class.” Such “deemed acceptance” by an impaired class in which no class members submit ballots satisfies section 1129(a)(10) of the Bankruptcy Code. *See In re Tribune Co.*, 464 B.R. 126, 183 (Bankr. D. Del. 2011) (“Would ‘deemed acceptance’ by a non-voting impaired class, in the absence of objection, constitute the necessary ‘consent’ to a proposed ‘per plan’ scheme? I conclude that it may.” (footnote omitted)); *see In re Adelpia Commc’ns Corp.*, 368 B.R. 14, 259–63 (Bankr. S.D.N.Y. 2007).

E. *Confirmation Without Acceptance by All Impaired Classes*

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a plan even if Impaired Classes entitled to vote on the plan have not accepted it or if an Impaired Class is deemed to reject the Plan, *provided, that* the plan is accepted by at least one Impaired Class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class’s rejection or deemed rejection of the plan, such plan will be confirmed, at the plan proponent’s request, in a procedure commonly known as “cram down,” so long as the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each class of claims or equity interests that is impaired under, and has not accepted, the plan.

1. *No Unfair Discrimination*

This test applies to Classes of Claims or Interests that are of equal priority and are receiving different treatment under the Plan. The test does not require that the treatment be the same or equivalent, but that such treatment be “fair.” In general, bankruptcy courts consider whether a plan discriminates unfairly in its treatment of Classes of Claims of equal rank (*e.g.*, classes of the same legal character). The Debtors do not believe the Plan discriminates unfairly against any Impaired Class of Claims or Interests. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests satisfy the foregoing requirements for nonconsensual Confirmation.

2. *Fair and Equitable Test*

This test applies to classes of different priority and status (*e.g.*, secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the non-accepting class, the test sets different standards depending on the type of claims or interests in such class. As set forth below, the Debtors believe that the Plan satisfies the “fair and equitable” requirement because there is no Class of equal priority receiving more favorable treatment and no Class that is junior to such dissenting Class that will receive or retain any property on account of the Claims or Interests in such Class.

(a) Secured Claims

The condition that a plan be “fair and equitable” to a non-accepting class of secured claims includes the requirements that: (i) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan; and (ii) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured claimant’s interest in the debtor’s property subject to the liens.

(b) Unsecured Claims

The condition that a plan be “fair and equitable” to a non-accepting class of unsecured claims includes the following requirement that either: (i) the plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (ii) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or junior equity interest any property.

(c) Equity Interests

The condition that a plan be “fair and equitable” to a non-accepting class of equity interests includes the requirements that either: (i) the plan provides that each holder of an equity interest in that class receives or retains under the plan on account of that equity interest property of a value, as of the effective date of the plan, equal to the greater of: (A) the allowed amount of any fixed liquidation preference to which such holder is entitled; (B) any fixed redemption price to which such holder is entitled; or (C) the value of such interest; or (ii) if the class does not receive the amount as required under (i) hereof, no class of equity interests junior to the non-accepting class may receive a distribution under the plan.

ARTICLE IX.

CERTAIN RISK FACTORS TO BE CONSIDERED BEFORE VOTING

Holders of Claims should read and carefully consider the risk factors set forth below, as well as the other information set forth in this Disclosure Statement and the documents delivered together with this Disclosure Statement, referred to or incorporated by reference in this Disclosure Statement, before voting to accept or reject the Plan. These factors should not be regarded as constituting the only risks present in connection with the Debtors’ businesses or the Plan and its implementation.

A. *Risk Factors that May Affect Recoveries Available to Holders of Allowed Claims Under the Plan*

1. *Actual Amounts of Allowed Claims May Differ from Estimated Amounts of Allowed Claims, Thereby Adversely Affecting the Recoveries of Some Holders of Allowed Claims*

The estimates of Allowed Claims and recoveries for Holders of Allowed Claims set forth in this Disclosure Statement are based on various assumptions. Should one or more of the underlying assumptions ultimately prove to be incorrect, the actual Allowed amounts of Claims may significantly vary from the estimated Claims contained in this Disclosure Statement. Moreover, the Debtors cannot determine with any certainty at this time the number or amount of Claims that will ultimately be Allowed. Such differences may materially and adversely affect, among other things, the recoveries to Holders of Allowed Claims and Allowed Interests under the Plan. Some Holders are not entitled to any recovery pursuant to the terms of the Plan, and, depending on the accuracy of the Debtors’ various assumptions, even those Holders entitled to a recovery under the terms of the Plan may ultimately receive no recovery.

2. *The Debtors Cannot State with Certainty What Recovery Will Be Available to Holders of Allowed Claims in the Voting Classes*

The Debtors cannot know with certainty, at this time, the number or amount of Claims in Voting Classes that will ultimately be Allowed and how the amount of Allowed Claims will compare to the estimates provided herein. For example, a number of Proofs of Claim allege Claims in an unliquidated amount that will require future resolution, making the amount of any Allowed Claim based on such Proof of Claim entirely speculative as of the date of this Disclosure Statement. In addition, the Debtors are continuing to review the Proofs of Claim filed in their Chapter 11 Cases. As such, the estimated amount of Claims may materially change due to the Debtors' ongoing review. Accordingly, because certain Claims under the Plan will be paid on a Pro Rata basis, the Debtors cannot state with certainty what recoveries will be available to Holders of Allowed Claims in the Voting Classes.

3. *Any Valuation of Any Assets to be Distributed Under the Plan Is Speculative and Could Potentially be Zero*

Any valuation of any of the assets to be distributed under the Plan is necessarily speculative, and the value of such assets could potentially be zero. Accordingly, the ultimate value, if any, of these assets could materially affect, among other things, recoveries to the Debtors' creditors, including Holders of Claims in the Voting Classes.

4. *The Debtors Cannot Guaranty Recoveries or the Timing of Such Recoveries*

Although the Debtors have made commercially reasonable efforts to estimate Allowed Claims, including Administrative Claims, Priority Tax Claims, and Other Priority Claims, it is possible that the actual amount of such Allowed Claims is materially higher than the Debtors' estimates. Creditor recoveries could be materially reduced or eliminated in this instance. In addition, the timing of actual distributions to Holders of Allowed Claims may be affected by many factors that cannot be predicted. Therefore, the Debtors cannot guaranty the timing of any recovery on an Allowed Claim.

5. *The Third Party Releasees May Elect Not to Fund the GUC Reserve Under Certain Circumstances*

The funding of the GUC Reserve Amount is subject to the GUC Funding Election being exercised until one Business Day before the Confirmation Hearing if any Requisite Creditor is a Non-Participating GUC Holder. Although the Debtors believe, based on all information received to date, that it is likely that the Requisite Creditors will support the Global Resolution, they cannot guarantee that any of the Requisite Creditors will not ultimately decide to become a Non-Participating GUC Holder, thus giving certain of the Third Party Releasees the right to exercise the GUC Funding Election. Because it is a non-waivable condition to Confirmation of the Plan that the Third Party Releasees not exercise the GUC Funding Election, the Debtors will be unable to obtain Confirmation of the Plan if any of the applicable Third Party Releasees make such an election. If they are unable to obtain Confirmation of the Plan as a result of the exercise of the GUC Funding Election, the Debtors may file and solicit acceptance of a new plan, the cost of which will reduce creditor recoveries and the terms of which may be materially less favorable to the Voting Classes.

6. *Certain Tax Implications of the Debtors' Bankruptcy*

Holders of Allowed Claims should carefully review Article X of this Disclosure Statement, "Certain United States Federal Income Tax Consequences," for a description of certain tax implications of the Plan and the Chapter 11 Cases.

B. *Certain Bankruptcy Law Considerations*

The occurrence or nonoccurrence of any or all of the following contingencies, and any others, may affect distributions available to Holders of Allowed Claims and Allowed Interests under the Plan but will not necessarily affect the validity of the vote of the Impaired Classes to accept or reject the Plan or necessarily require a re-solicitation of the votes of Holders of Claims in such Impaired Classes.

1. *Parties in Interest May Object to the Plan's Classification of Claims and Interests or the Amount of Such Claims or Interests*

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests in such class. The Debtors believe that the classification of the Claims and Interests under the Plan complies with the requirements set forth in the Bankruptcy Code because the Debtors created Classes of Claims and Interests, each encompassing Claims or Interests, as applicable, that are substantially similar to the other Claims and Interests in each such Class. Nevertheless, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

Furthermore, certain parties in interest, including the Debtors, reserve the right, under the Plan, to object to the amount or classification of any Claim. The estimates set forth in this Disclosure Statement cannot be relied upon by any Holder of a Claim when such Claim is or may be subject to an objection or is not yet Allowed. Any Holder of a Claim that is or may be subject to an objection thus may not receive its expected share of the estimated distributions described in this Disclosure Statement.

2. *Failure to Satisfy Vote Requirements*

In the event that votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Plan, the Debtors intend to seek, as promptly as practicable thereafter, Confirmation of the Plan. In the event that sufficient votes are not received, the Debtors may seek to pursue another strategy to wind down the Estates, such as an alternative chapter 11 plan, a dismissal of the Chapter 11 Cases and an out-of-court dissolution, an assignment for the benefit of creditors, a conversion to a chapter 7 case, or other strategies. There can be no assurance that the terms of any such alternative strategies would be similar or as favorable to the Holders of Allowed Claims and Allowed Interests as those proposed in the Plan.

3. *The Debtors May Not Be Able to Secure Confirmation of the Plan*

The Debtors will need to satisfy section 1129 of the Bankruptcy Code, which sets forth the requirements for confirmation of a chapter 11 plan and requires, among other things, a finding by a bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of distributions to non-accepting holders of claims and interests within a particular class under such plan will not be less than the value of distributions such holders would receive if the debtors were liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting Holder of an Allowed Claim or an Allowed Interest might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that this Disclosure Statement, the Solicitation Procedures, and the voting results are appropriate, the Bankruptcy Court can still decline to confirm the Plan if it finds that any of the statutory requirements for Confirmation have not been met, including the requirement that the terms of the Plan do not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes. If the Plan is not confirmed, it is unclear what distributions, if any, Holders of Allowed Claims and Allowed Interests will receive with respect to their Allowed Claims and Allowed Interests. The Bankruptcy Court, as a court of equity, may exercise substantial discretion.

The Debtors, subject to the terms and conditions of the Plan, reserve the right to modify the terms and conditions of the Plan as necessary for Confirmation. Any such modifications may result in a less favorable treatment of any Class than the treatment currently provided in the Plan. Such a less favorable treatment may include a distribution of property to the Class affected by the modification of a lesser value than currently provided in the Plan or no distribution of property whatsoever under the Plan.

4. *Nonconsensual Confirmation*

In the event that any impaired class of claims or interests does not accept a chapter 11 plan, a bankruptcy court may nevertheless confirm a plan at the proponents' request if at least one impaired class has accepted the plan (with such acceptance being determined without including the vote of any "insider" in such class), and, as to each impaired class that has not accepted the plan, the Bankruptcy Court determines that the plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting classes. The Debtors believe that the Plan satisfies these requirements and the Debtors may request such nonconsensual Confirmation in accordance with section 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion. In addition, the pursuit of nonconsensual Confirmation of the Plan may result in, among other things, increased expenses and the expiration of any commitment to provide support for the Plan, financially or otherwise.

5. *Risk of Nonoccurrence of the Effective Date*

Although the Debtors believe that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing or as to whether such an Effective Date will, in fact, occur.

6. *Contingencies May Affect Votes of Impaired Classes to Accept or Reject the Plan*

The distributions available to Holders of Allowed Claims under the Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Claims to be Allowed. The occurrence of any and all such contingencies, which may affect distributions available to Holders of Allowed Claims and Allowed Interests under the Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Plan or require any sort of revote by the Impaired Classes.

7. *Risk Affecting Potential Recoveries of Holders of Claims in the Voting Classes*

The Debtors cannot state with any degree of certainty what recovery will be available to Holders of Allowed Claims in the Voting Classes. In particular, the Debtors cannot know, at this time, the number or size of Claims in the Voting Classes which will ultimately be Allowed or how many assets will remain after paying all Allowed Claims which are senior to the Claims of Holders in the Voting Classes. The ultimate amount of Allowed Claims in the Voting Classes and the senior non-Voting Classes could materially reduce the recovery available to Holders of Allowed Claims in the Voting Classes.

C. *Disclosure Statement Disclaimer*

1. *The Financial Information Contained in this Disclosure Statement has not Been Audited*

In preparing this Disclosure Statement, the Debtors and their advisors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have used their reasonable business judgment to ensure the accuracy of the financial information, and any conclusions or estimates drawn from such financial information, provided in this Disclosure Statement, and while the Debtors believe that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant that the financial information contained herein, or any such conclusions or estimates drawn therefrom, is without inaccuracies.

2. *Information Contained in this Disclosure Statement Is for Soliciting Votes*

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Plan and may not be relied upon for any other purpose.

3. *This Disclosure Statement Was Not Reviewed or Approved by the United States Securities and Exchange Commission*

This Disclosure Statement was not Filed with the United States Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the United States Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibit or the statements contained in this Disclosure Statement.

4. *This Disclosure Statement May Contain Forward Looking Statements*

This Disclosure Statement may contain “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as “may,” “will,” “might,” “expect,” “believe,” “anticipate,” “could,” “would,” “estimate,” “continue,” “pursue,” or the negative thereof or comparable terminology. All forward looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The information contained herein is an estimate only, based upon information currently available to the Debtors.

5. *No Legal or Tax Advice Is Provided to You by this Disclosure Statement*

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or an Interest should consult his or her own legal counsel, accountant, or other applicable advisor with regard to any legal, tax, and other matters concerning his or her Claim or Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

6. *No Admissions Made*

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any entity (including, without limitation, the Debtors) nor (b) be deemed evidence of the tax or other legal effects of the Plan on the Debtors, Holders of Allowed Claims or Allowed Interests, or any other parties in interest.

7. *Failure to Identify Litigation Claims or Projected Objections*

No reliance should be placed on the fact that a particular litigation claim or projected objection to a particular Claim or Interest is, or is not, identified in this Disclosure Statement. The Debtors or the Plan Administrator may seek to investigate, File, and prosecute Claims and Interests and may object to Claims or Interests after the Confirmation or Effective Date of the Plan irrespective of whether this Disclosure Statement identifies such Claims or Interests or objections to such Claims or Interests.

8. *No Waiver of Right to Object to Claim or Interest*

The vote by a Holder of a Claim or Interest for or against the Plan does not constitute a waiver or release of any claims, causes of action, or rights of the Debtors (or any entity, as the case may be) to object to that Holder’s Claim or Interest, regardless of whether any claims or causes of action of the Debtors or their respective Estates are specifically or generally identified in this Disclosure Statement.

9. *Information Was Provided by the Debtors and Was Relied Upon by the Debtors’ Advisors*

The Debtors’ advisors have relied upon information provided by the Debtors in connection with the preparation of this Disclosure Statement. Although the Debtors’ advisors have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not independently verified the information contained in this Disclosure Statement.

10. *Potential Exists for Inaccuracies, and the Debtors Have No Duty to Update*

The statements contained in this Disclosure Statement are made by the Debtors as of the date of this Disclosure Statement, unless otherwise specified in this Disclosure Statement, and the delivery of this Disclosure Statement after the date of this Disclosure Statement does not imply that there has not been a change in the information set forth in this Disclosure Statement since that date. While the Debtors have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Plan, the Debtors nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Debtors may subsequently update the information in this Disclosure Statement, the Debtors have no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

11. *No Representations Outside this Disclosure Statement Are Authorized*

No representations concerning or relating to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement, should not be relied upon by you in arriving at your decision. You should promptly report unauthorized representations or inducements to the counsel to the Debtors and the U.S. Trustee.

D. *Liquidation Under Chapter 7*

If no plan can be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities established by the Bankruptcy Code. As discussed above, conversion to chapter 7 would require the Debtors to incur expenses related to the chapter 7 trustee and additional retained professionals, and such expenses may decrease recoveries for Holders of Allowed Claims in the Voting Classes. *See, e.g.* 11 U.S.C. § 326(a); 11 U.S.C. 503(b)(2). The conversion to chapter 7 would require entry of a new bar date, which may increase the amount of Allowed Claims and thereby reduce Pro Rata recoveries. *See* Fed. R. Bankr. P. 1019(2); 3002(c). Moreover, the GUC Reserve provided pursuant to the Global Resolution, as well as various accommodations provided by the Term Loan Lenders to pay Priority Claims, may not be available in a chapter 7 liquidation.

ARTICLE X.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain United States federal income tax consequences of the Plan to the Debtors and certain Holders of Allowed Claims. This summary is based on the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), Treasury Regulations thereunder (“Treasury Regulations”), and administrative and judicial interpretations, all as in effect on the date of this Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtors do not intend to seek a ruling from the Internal Revenue Service as to any of the tax consequences of the Plan discussed below. There can be no assurance that the Internal Revenue Service will not challenge one or more of the United States federal income tax consequences of the Plan described below.

This summary does not apply to Holders of Allowed Claims that are not United States persons, as such term is defined in the Internal Revenue Code (“Non-U.S. Holders”), or that are otherwise subject to special treatment under United States federal income tax law (including, without limitation, banks, governmental authorities or agencies, financial institutions, insurance companies, pass-through entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies, employees, persons holding Allowed Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction, and regulated investment companies). Moreover, this summary does

not purport to cover all aspects of United States federal income taxation that may apply to the Debtors and Holders of Allowed Claims based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under any laws other than United States federal income tax law, including under state, local, or foreign tax law.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF ALLOWED CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

A. *Certain United States Federal Income Tax Consequences to Holders of Allowed Claims*

1. *Consequences to Holders of Allowed Class 4 Claims*

Pursuant to the Plan, Allowed Class 4 Claims will be exchanged for the Term Loan Lender Assets (i.e., a combination of Cash and assets of the Debtors or the Estates). A Holder who receives its Pro Rata share of the Term Loan Lender Assets in exchange for its Claim pursuant to the Plan generally will recognize income, gain, or loss for United States federal income tax purposes in an amount equal to the difference between (a) the amount of Cash received in exchange for its Claim, plus the fair market value of other property received by such Holder, and (b) the Holder's adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such Holder's hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount, and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of "accrued interest" and "market discount" below.

Article IV.F of the Plan contemplates that the Plan Administrator may transfer any unliquidated Post-Effective Date Debtor Causes of Action to a litigation trust no later than January 31, 2016. Subject to definitive guidance from the Internal Revenue Service or a court of competent jurisdiction to the contrary, pursuant to 26 C.F.R. § 301.7701-4(d) and related regulations, the Debtors believe that such litigation trust should be treated as a grantor trust set up for the benefit of the Holders of Class 4 Claims. In the event that the Plan Administrator elects to transfer unliquidated Post-Effective Date Debtor Causes of Action to a litigation trust pursuant to the Plan, Holders that receive litigation trust interests will be treated for United States federal income tax purposes as receiving their Pro Rata share of the litigation trust's assets from the Debtors in a taxable exchange and then depositing them in the litigation trust in exchange for litigation trust interests. Each such Holder should recognize gain or loss equal to the difference between (a) the fair market value of the litigation trust interests received and (b) such Holder's adjusted tax basis in the portion of the Term Loan Lender Assets representing the right to receive proceeds of the Post-Effective Date Debtor Causes of Action from the Post-Effective Date Debtor (the "Pre-Contribution Litigation Proceeds Rights").

The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Pre-Contribution Litigation Proceeds Rights in such Holder's hands, and whether the Pre-Contribution Litigation Proceeds Rights constitute a capital asset in the hands of the Holder. A Holder's tax basis in the litigation trust interests should equal the fair market value of such interests as of the date on which the unliquidated Post-Effective Date Debtor Causes of Action are contributed to the litigation trust. A Holder's holding period for the litigation trust interests should begin on the day following the date on which the unliquidated Post-Effective Date Debtor Causes of Action are contributed to the litigation trust.

Holders of Class 4 Claims that receive litigation trust interests will be required to report in their United States federal income tax returns their share of the litigation trust's items of income, gain, loss, deduction, and credit in the year recognized by the litigation trust. This requirement may result in Holders being subject to tax on their allocable share of the litigation trust's taxable income prior to receiving any cash distributions from the litigation trust.

As noted above, this summary does not apply to Non-U.S. Holders. The tax consequences to Non-U.S. Holders are complex and will vary depending on the circumstances and activities of such Holder. Each Non-U.S. Holder of Class 4 Claims is urged to consult with its own tax advisor regarding the U.S. federal, state local and non-U.S. tax consequences of receipt of the Litigation trust interests.

It is plausible that a Holder receiving the litigation trust interests could treat the transaction as an “open” transaction for United States federal income tax purposes, in which case the recognition of any gain or loss on the transaction might be deferred pending the determination of the amount of the proceeds ultimately received from the Litigation trust. The United States federal income tax consequences of an open transaction are uncertain and highly complex, and a holder should consult with its own tax advisor if it believes open transaction treatment might be appropriate.

2. *Consequences to Holders of Allowed Class 5 Claims*

Pursuant to the Plan, Allowed Class 5 Claims of Participating GUC Holders will be exchanged for Cash in an amount equal to its Pro Rata share of the GUC Reserve. A Holder who receives such Cash in exchange for its Claim pursuant to the Plan generally will recognize income, gain, or loss for United States federal income tax purposes in an amount equal to the difference between (a) the amount of Cash received in exchange for its Claim, plus the fair market value of other property received by such Holder, and (b) the Holder’s adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such Holder’s hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount, and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Claim. See the discussions of “accrued interest” and “market discount” below.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

3. *Accrued Interest*

A portion of the consideration received by Holders of Allowed Claims may be attributable to accrued interest on such Claims. Such amount should be taxable to that Holder as interest income if such accrued interest has not been previously included in the Holder’s gross income for United States federal income tax purposes. Conversely, Holders of Claims may be able to recognize a deductible loss to the extent any accrued interest on the Claims was previously included in the Holder’s gross income but was not paid in full by the Debtors.

If the fair value of the consideration is not sufficient to fully satisfy all principal and interest on Allowed Claims, the extent to which such consideration will be attributable to accrued interest is unclear. Under the Plan, the aggregate consideration to be distributed to Holders of Allowed Claims in each Class will be allocated first to the principal amount of Allowed Claims, with any excess allocated to unpaid interest that accrued on such Claims, if any. Certain legislative history indicates that an allocation of consideration as between principal and interest provided in a chapter 11 plan is binding for United States federal income tax purposes, while certain Treasury Regulations generally treat payments as allocated first to any accrued but unpaid interest and then as a payment of principal. The Internal Revenue Service could take the position that the consideration received by the Holder should be allocated in some way other than as provided in the Plan. Holders of Claims should consult their own tax advisors regarding the proper allocation of the consideration received by them under the Plan.

HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED INTEREST.

4. *Market Discount*

Under the “market discount” provisions of the Internal Revenue Code, some or all of any gain realized by a Holder of a Claim who exchanges the Claim for an amount may be treated as ordinary income (instead of capital

gain), to the extent of the amount of “market discount” on the debt instruments constituting the exchanged Claim. In general, a debt instrument is considered to have been acquired with “market discount” if it is acquired other than on original issue and if its Holder’s adjusted tax basis in the debt instrument is less than (a) the sum of all remaining payments to be made on the debt instrument, excluding “qualified stated interest” or (b) in the case of a debt instrument issued with original issue discount, its adjusted issue price, in each case, by at least a *de minimis* amount (equal to 0.25% of the sum of all remaining payments to be made on the debt instrument, excluding qualified stated interest, multiplied by the number of remaining whole years to maturity).

Any gain recognized by a Holder on the taxable disposition of Allowed Claims (determined as described above) that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Allowed Claims were considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued).

5. *Information Reporting and Backup Withholding*

In general, information reporting requirements may apply to distributions or payments under the Plan. Additionally, under the backup withholding rules, a Holder of a Claim may be subject to backup withholding (currently at a rate of 28%) with respect to distributions or payments made pursuant to the Plan unless that Holder: (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact; or (b) timely provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding (generally on Form W-9). Backup withholding is not an additional tax but is, instead, an advance payment that may be refunded to the extent it results in an overpayment of tax; *provided that* the required information is timely provided to the Internal Revenue Service.

The Debtors, or the applicable withholding agent, will withhold all amounts required by law to be withheld from payments of interest. The Debtors will comply with all applicable reporting requirements of the Internal Revenue Service.

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF SUCH HOLDER’S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE RESTRUCTURING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

B. *Certain United States Federal Income Tax Consequences to the Debtors*

The Debtors may recognize taxable gain or loss as a result of Consummation of the Plan upon the sale of their assets in an amount equal to the difference between the fair market value of the assets sold and the applicable Debtor’s tax basis in such assets. Thus the amount of gain or loss recognized will depend on the value of the assets sold, which cannot be known with certainty until the Plan is consummated. It is possible the Debtors will recognize taxable income or gain in connection with Consummation of the Plan and may not have sufficient net operating losses or other tax attributes to fully offset the amount of gain recognized, in which case the Debtors will be required to pay cash income taxes with respect to the amount of net income and will reduce the amount of Cash proceeds available to be distributed to Holders of the Allowed Claims.

1. *Cancellation of Debt Income*

Under the Internal Revenue Code, a taxpayer generally recognizes cancellation of debt income (“CODI”) to the extent that indebtedness of the taxpayer is cancelled for less than the amount owed by the taxpayer, subject to certain judicial or statutory exceptions. The most significant of these exceptions with respect to the Debtors is that taxpayers who are operating under the jurisdiction of a federal bankruptcy court are not required to recognize such

income. In that case, however, the taxpayer must reduce its tax attributes, such as its net operating losses, general business credits, capital loss carryforwards, and tax basis in assets, by the amount of the CODI avoided. In this case, the Debtors expect that they may recognize significant CODI from the implementation of the Plan. As a result, the Debtors expect that their tax attributes may be reduced on account of such CODI.

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ARTICLE XI.

RECOMMENDATION OF THE DEBTORS

The Debtors believe that the Plan is in the best interests of all Holders of Claims against and Interests in the Debtors, and urge all Holders of Claims against and Interests in the Debtors entitled to vote to accept the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Notice and Claims Agent by the Voting Deadline.

Dated: January 12, 2015

Source Home Entertainment, LLC

By: /s/ Stephen Dubé
Name: Stephen Dubé
Title: Chief Restructuring Officer

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EXHIBIT A

**Debtors' Joint Plan of Liquidation
Pursuant to Chapter 11 of the Bankruptcy Code**