IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al*.,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

DISCLOSURE STATEMENT FOR THE JOINT PLAN OF REORGANIZATION OF APPLESEED'S INTERMEDIATE HOLDINGS LLC AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: January 19, 2011

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

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I. INTRODUCTION

Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands ("***AIH***") and its debtor affiliates, as debtors and debtors in possession (collectively, the "***Debtors***"), submit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code to Holders of Claims against the Debtors in connection with the solicitation of acceptances with respect to the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Plan***"), dated January 19, 2011.[2] A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference. The Plan constitutes a separate chapter 11 plan for AIH and each of its 27 affiliated Debtors.

THE DEBTORS BELIEVE THAT THE COMPROMISE CONTEMPLATED UNDER THE PLAN IS FAIR AND EQUITABLE, WILL MAXIMIZE THE VALUE OF THEIR ESTATES AND PROVIDES THE BEST RECOVERY TO CLAIM HOLDERS. AT THIS TIME, THE DEBTORS BELIEVE THIS IS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THESE CHAPTER 11 CASES. THE DEBTORS STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

II. OVERVIEW OF THE PLAN

The Debtors are very pleased that after extensive, good faith negotiations, the Plan embodies a settlement among the Debtors and the Consenting Lenders (as defined herein), each of which is supportive of the Plan and the Debtors' expeditious emergence from chapter 11.

Specifically, the Plan provides for the reorganization of the Debtors as a going concern and contemplates satisfying Claims through the following sources:

- a senior secured asset-based revolving facility, referred to in the Plan as the "New ABL Facility," of up to a principal amount of $80 million (approximately $46.2 million of which will be drawn on the Effective Date),[3] which will be used to fund the Debtors' ongoing operations post-emergence and to satisfy any amount outstanding under the DIP Facility Tranche A;

- a new senior secured term loan, referred to in the Plan as the "New Senior Term Loan," in the principal amount of $35 million;[4]

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[2] Capitalized terms used but not otherwise defined in this Disclosure Statement will have the meaning ascribed to such terms in the Plan. **The summary of the Plan provided herein is qualified in its entirety by reference to the Plan. In the case of any inconsistency between this Disclosure Statement and the Plan, the Plan will govern**.

[3] The estimated amount of the New ABL Facility assumes the Effective Date occurs on or about April 30, 2011, and includes an estimate of issued and undrawn letters of credit as of that time.

[4] The amount of the New Senior Term Loan may increase to $40 million to the extent the DIP Facility Tranche B is fully drawn pursuant to the terms of the DIP Credit Agreement.

- a new first lien secured term loan referred to in the Plan as the "New First Lien Term Loan," in the principal amount of $200 million;

- a new junior secured term loan referred to in the Plan as the "New Junior Term Loan," in the principal amount of $43 million;

- cash on hand to make any payments provided for in the Plan; and

- shares of stock in Reorganized AIH, referred to in the Plan as the "New Common Stock."

The Plan contemplates the following distributions to the Debtors' Claim Holders, among other recoveries:

- DIP Facility Tranche A Lenders will receive payment in full, in Cash;

- DIP Facility Tranche B Lenders will receive a pro rata share of the New Senior Term Loan.

- First Lien Lenders will receive a pro rata share of (i) the New First Lien Term Loan, (ii) the New Junior Term Loan and (iii) 95% of the New Common Stock in the form of Class A Common Stock (subject to dilution on account of the Management Equity Incentive Program);

- Second Lien Lenders will receive a pro rata share of 5% of the New Common Stock in the form of Class B Common Stock (subject to dilution on account of the Management Equity Incentive Program); and

- Holders of Qualified Unsecured Trade Claims will be paid in accordance with the terms of the Qualified Vendor Support Agreement between the applicable Debtor and such Holder of an Allowed Qualified Unsecured Trade Claim.

The Plan contemplates that Holders of General Unsecured Claims and Holders of AIH Note Claims will not receive any distribution on account of such Claims, and Holders of Interests in AIH will not receive any distribution on account of such Interests.

III. THE DEBTORS' PLAN SUPPORT AGREEMENT AND DUAL-TRACK PLAN AND SALE PROCESS

The Debtors have worked closely with the ABL Lenders, the First Lien Lenders and the Second Lien Purchasers (collectively, the "***Secured Lenders***") and their respective advisors to explore strategic options to achieve a restructuring of the Debtors' prepetition obligations. In addition to negotiating the Plan, the Debtors' management and Moelis & Company LLC ("***Moelis***"), the Debtors' financial advisor, also engaged in a process to market Substantially all of the Debtors' assets (the "***Sale***") in October and November 2010. The Debtors and Moelis contacted over 25 potential purchasers, but only a handful of indicative offers were received and none of the offers presented a clear path forward on an expedited basis.

The Debtors and certain of the Secured Lenders have since entered into the Plan Support Agreement (the "***Support Agreement***" and the non-Debtor parties thereto, the "***Consenting Lenders***"), a copy of which is attached to the First Day Declaration (as defined herein), a copy of which is attached hereto as **Exhibit B** and incorporated herein by reference. The Support Agreement provides a roadmap for the reorganization of the Debtors as a going concern – either through the Plan, or in the event the Plan does not proceed in accordance with the timeline set forth in the Support Agreement, through a Sale. The Support Agreement binds the Consenting Lenders to support the Plan if the Debtors are successful in taking the steps necessary to meet the milestone deadlines included therein, and also provides the "backstop" that a Sale will be triggered if certain deadlines are not met. Specifically, failure to meet any one of the milestone deadlines listed below could trigger initiation of the Sale process:

- objections to the Disclosure Statement are due 28 days after the Petition Date (or a later date agreed to by the Debtors and a third party, in consultation with the parties specified in the DIP Credit Agreement and the Plan Support Agreement);
- a hearing on the Disclosure Statement is to be held seven days after the deadline to object to the Disclosure Statement (subject to the Court's availability);
- the solicitation period with respect to votes to accept or reject the Plan is to begin within five days after the order approving the Disclosure Statement is entered;
- the deadlines to object to the Plan and vote on the Plan are to be no later than 35 days after the commencement of the solicitation period;
- the Confirmation Hearing is to be held 14 days after the deadline to vote on the Plan (subject to the Court's availability);
- the Confirmation Order is to be entered no later than 90 days after the Petition Date; and
- the Effective Date of the Plan must occur within 15 days after the entry of the Confirmation Order.

On [_____], 2011, the Debtors filed the *Debtors' Motion for Entry of (A) an Order (I) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Selling Debtors' Assets; (II) Approving the Form and Manner of the Sale Notice; (III) Scheduling an Auction and Sale Hearing; (IV) Scheduling Certain Deadlines; (V) Approving Procedures for Determining Cure Amounts; and (VI) Approving Payment of a Portion of Sale Proceeds Prior to Plan Confirmation; and (B) An Order Authorizing the Sale of Substantially All of the Selling Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Other Interests; (II) Authorizing the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; and (III) Granting Related Relief* [Docket. No. ___] (the "***Sale Motion***").

Pursuant to the Sale Motion, the Debtors seek (a) entry of an order approving procedures that will govern the Sale if the Sale goes forward (the "***Bidding Procedures Order***") and (b) to the extent the Sale goes forward, entry of an order approving the Sale. As of the date hereof, a hearing on the Sale Motion solely with respect to the Bidding Procedures is scheduled to be held on [_____], 2011 at [##:##] [a.m./p.m.] before the Honorable [Judge], United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801. The Sale Motion is available for viewing free of charge at www.kccllc.net/appleseeds.

To the extent the relief in the Sale Motion is granted, the Debtors will seek to move forward with the Sale solely in the event they are unable to comply with the Plan Milestones.

IV. IMPORTANT INFORMATION ABOUT THIS DISCLOSURE STATEMENT

A. Key Terms Used in this Disclosure Statement

The following are some of the defined terms used in this Disclosure Statement. This is not an exhaustive list of defined terms in the Plan or this Disclosure Statement, but is provided for ease of reference only. Please refer to the Plan for additional defined terms.

References to the "***Bankruptcy Court***" are to the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 11 Cases or any other court having jurisdiction over the Chapter 11 Cases, including, to the extent of the withdrawal of the reference under 28 U.S.C. § 157, the United States District Court for the District of Delaware.

References to the "***Bankruptcy Rules***" mean the Federal Rules of Bankruptcy Procedure promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

"***Confirmation Hearing***" means the hearing held by the Bankruptcy Court on Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code. The Confirmation Hearing is currently scheduled before the Bankruptcy Court on [_____], 2011 at [##:##] [a.m./p.m.]. Please note that the Confirmation Hearing may be continued or adjourned without further notice.

References to the "***Confirmation Date***" are to the date upon which the Bankruptcy Court enters the order on the docket of the Chapter 11 Cases confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

References to the "***Chapter 11 Cases***" means (a) when used with reference to a particular Debtor, the chapter 11 case pending for each Debtor in the Bankruptcy Court and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for all of the Debtors in the Bankruptcy Court under Case No. 11-[_____ ( )].

References to a "***Claim***" are to any claim against a Debtor as defined in section 101(5) of the Bankruptcy Code.

References to the "***Effective Date***" are to the date selected by the Debtors that is after the date on which the order confirming the Plan becomes a Final Order.

References to "***Interests***" means any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code.

References to "***Intercompany Interests***" are to Interests in a Debtor held by another Debtor or an Affiliate of a Debtor.

References to the "***Plan***" and the "***Plan of Reorganization***" are to the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, a copy of which is attached as **Exhibit A** hereto and incorporated herein by reference.

References to the "***Plan Supplement***" are to the compilation of documents and forms of documents, schedules and exhibits to the Plan to be Filed by the Debtors no later than five days before the

Voting Deadline on notice to parties in interest, and additional documents Filed before the Effective Date as supplements or amendments to the Plan Supplement, including the following: (a) the New By-Laws; (b) the New Certificates of Incorporation; (c) the Rejected Executory Contract and Unexpired Lease List (d) a list of retained Causes of Action, if any; (e) subject to the terms of Artcile IV.K of the Plan, the Management Equity Incentive Program; (f) the New Stockholders Agreement; (g) the New Registration Rights Agreement; (h) the Assumed Executory Contract and Unexpired Lease List; (i) the Qualified Vendor Support Agreement; (j) the identification of any Disbursing Agent other than the Reorganized Debtors; (k) the New Intercreditor Agreement; (l) the New ABL Facility Credit Agreement; (m) the New Senior Term Loan Credit Agreement; (n) the New First Lien Term Loan Credit Agreement; (o) the New Junior Term Loan Credit Agreement; (p) the Existing Benefits Agreements that have been consented to as set forth in Article IV.N of the Plan; and (q) the New Employment Agreements.

References to "***Person***" means a person, as such term as defined in section 101(41) of the Bankruptcy Code.

B. Additional Important Information

The confirmation and effectiveness of the Plan are subject to certain material conditions precedent described herein and set forth in Article IX of the Plan. There is no assurance that the Plan will be confirmed, or if confirmed, that the conditions required to be satisfied for the Plan to go effective will be satisfied (or waived).

You are encouraged to read this Disclosure Statement in its entirety, the Plan and the section entitled "Risk Factors" before submitting your ballot to vote on the Plan.

The Bankruptcy Court's approval of this Disclosure Statement does not constitute a guarantee by the Bankruptcy Court of the accuracy or completeness of the information contained herein or an endorsement by the Bankruptcy Court of the merits of the Plan.

Summaries of the Plan and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan and the Plan Supplement. The summaries of the financial information and the documents annexed to this Disclosure Statement or otherwise incorporated herein by reference are qualified in their entirety by reference to those documents. The statements contained in this Disclosure Statement are made only as of the date of this Disclosure Statement, and there is no assurance that the statements contained herein will be correct at any time after such date. Except as otherwise provided in the Plan or in accordance with applicable law, the Debtors are under no duty to update or supplement this Disclosure Statement.

The information contained in this Disclosure Statement is included for purposes of soliciting acceptances to, and Confirmation of, the Plan and may not be relied on for any other purpose. In the event of any inconsistency between the Disclosure Statement and the Plan, the relevant provisions of the Plan shall govern.

This Disclosure Statement has not been approved or disapproved by the United States Securities and Exchange Commission (the "***SEC***") or any similar federal, state, local or foreign regulatory agency, nor has the SEC or any other such agency passed upon the accuracy or adequacy of the statements contained in this Disclosure Statement.

The Debtors have sought to ensure the accuracy of the financial information provided in this Disclosure Statement; however, the financial information contained in this Disclosure Statement or

incorporated herein by reference have not been, and will not be, audited or reviewed by the Debtors' independent auditors unless explicitly provided otherwise.

Upon Confirmation of the Plan, certain of the securities described in this Disclosure Statement will be issued without registration under the Securities Act of 1933, 15 U.S.C. §§ 77a-77aa, together with the rules and regulations promulgated thereunder (the "***Securities Act***"), or similar federal, state, local or foreign laws, in reliance on the exemption set forth in section 1145 of the Bankruptcy Code. Other securities may be issued pursuant to other applicable exemptions under the federal securities laws. To the extent exemptions from registration under section 1145 of the Bankruptcy Court do not apply, such securities may not be offered or sold except pursuant to a valid exemption or upon registration under the Securities Act.

The Debtors make statements in this Disclosure Statement that are considered forward-looking statements under federal securities laws. The Debtors consider all statements regarding anticipated or future matters, including the following, to be forward-looking statements: any future effects as a result of the pendency of the Chapter 11 Cases; the Reorganized Debtors' expected future financial position, liquidity, results of operations, profitability and cash flows; projected dividends; financing plans; competitive position; business strategy; budgets; projected cost reductions; projected and estimated liability costs; disruption of operations; plans and objectives of management for future operations; contractual obligations; off-balance sheet arrangements; growth opportunities for existing products and services; projected price increases; and projected general market conditions.

Statements concerning these and other matters are not guarantees of the Reorganized Debtors' future performance. There are risks, uncertainties and other important factors that could cause the Debtors' actual performance or achievements to be different from those they may project, and the Debtors undertake no obligation to update the projections made herein. These risks, uncertainties and factors may include: the Debtors' ability to develop, confirm and consummate the Plan; the Debtors' ability to reduce its overall financial leverage; the potential adverse impact of the Chapter 11 Cases on the Debtors' operations, management and employees, and the risks associated with operating businesses in the Chapter 11 Cases; customer responses to the Chapter 11 Cases; inability to have Claims discharged or settled during the Chapter 11 Cases; general economic, business and market conditions; currency fluctuations; interest rate fluctuations; price increases; exposure to litigation; a decline in the Debtors' market share due to competition or price pressure by customers; ability to implement cost reduction initiatives in a timely manner; ability to divest existing businesses; financial conditions of the Debtors' customers; adverse tax changes; limited access to capital resources; changes in domestic and foreign laws and regulations; trade balance; natural disasters; geopolitical instability; and the effects of governmental regulation on the Debtors' businesses.

V. QUESTIONS AND ANSWERS REGARDING THIS DISCLOSURE STATEMENT AND THE PLAN

A. What is chapter 11?

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors and similarly situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the date the chapter 11 case is commenced. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor and any other entity as may be ordered by the bankruptcy court. Subject to certain limited exceptions, the order issued by a bankruptcy court confirming a plan provides for the treatment of the debtor's liabilities in accordance with the terms of the confirmed plan.

B. Why are the Debtors sending me this Disclosure Statement?

The Debtors are seeking to obtain Bankruptcy Court approval of the Plan. Before soliciting acceptances of the Plan, section 1125 of the Bankruptcy Code requires the Debtors to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the Plan. This Disclosure Statement is being submitted in accordance with such requirements.

C. Am I entitled to vote on the Plan?

Your ability to vote on, and your distribution under, the Plan, if any, depend on what type of Claim you hold. Each category of Holders of Claims or Interests, as set forth in Article III of the Plan pursuant to section 1122(a) of the Bankruptcy Code, is referred to as a "***Class***." Each Class's respective voting status is set forth below.

Class	Claim/Interest	Status	Voting Rights
1A	DIP Facility Tranche A Claims	Not Impaired	Deemed to Accept
1B	DIP Facility Tranche B Claims	Impaired	Entitled to Vote
2	Priority Non-Tax Claims	Not Impaired	Deemed to Accept
3	Other Secured Claims	Not Impaired	Deemed to Accept
4	First Lien Secured Claims	Impaired	Entitled to Vote
5	Second Lien Note Claims	Impaired	Entitled to Vote
6A	Qualified Unsecured Trade Claims	Impaired	Entitled to Vote
6B	General Unsecured Claims	Impaired	Deemed to Reject
7	AIH Note Claims	Impaired	Deemed to Reject
8	Intercompany Claims	Impaired	Deemed to Accept
9	Intercompany Interests	Not Impaired	Deemed to Accept
10	Interests in AIH	Impaired	Deemed to Reject

D. What will I receive from the Debtors if the Plan is consummated?

The following chart provides a summary of the anticipated recovery to Holders of Claims under the Plan. Any estimates of Claims in this Disclosure Statement may vary from the final amounts allowed by the Bankruptcy Court. Your ability to receive distributions under the Plan depends upon the ability of the Debtors to obtain Confirmation and meet the conditions necessary to consummate the Plan.

Class	Claim/Interest	Anticipated Recovery
1A	DIP Facility Tranche A Clams	Each Holder of a DIP Facility Tranche A Claim shall receive payment in full, in Cash, plus fees, costs and expenses.
1B	DIP Facility Tranche B Claims	Each Holder of a DIP Facility Tranche B Claim shall receive its Pro Rata share of the New Senior Term Loan plus fees, costs and expenses.
2	Priority Non-Tax Claims	Each Holder of an Allowed Priority Non-Tax Claim shall be paid in full, in Cash.
3	Other Secured Claims	The Debtors or Reorganized Debtors shall: (i) pay such Allowed Other Secured Claims in full in Cash, including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code; (ii) deliver the collateral securing any such Allowed Other Secured Claim; or (iii) otherwise treat such Allowed Other Secured Claim in any other manner such that the Claim shall be rendered not Impaired.
4	First Lien Secured Claims	Each Holder of an Allowed First Lien Secured Claim shall receive its Pro Rata distribution of (i) the New First Lien Term Loan, (ii) the New Junior Term Loan and (iii) 95% of the New Common Stock in the form of Class A Common Stock, to be issued on the Effective Date (subject to dilution on account of the Management Equity Incentive Program), plus fees, costs and expenses.
5	Second Lien Note Claims	Each Holder of an Allowed Second Lien Note Claim shall receive its Pro Rata distribution of 5% of the New Common Stock in the form of Class B Common Stock, to be issued on the Effective Date (subject to dilution on account of the Management Equity Incentive Program), plus fees, costs and expenses.
6A	Qualified Unsecured Trade Claims	Subject to entry into a Qualified Vendor Support Agreement, each Holder of an Allowed Qualified Unsecured Trade Claim will be paid according to the terms of the Qualified Vendor Support Agreement. Holders of Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees or penalties on account of such Claims.
6B	General Unsecured Claims	Holders of General Unsecured Claims will not receive any distribution on account of such Claims.
7	AIH Note Claims	Holders of AIH Note Claims will not receive any distribution on account of such Claims.

Class	Claim/Interest	Anticipated Recovery
8	Intercompany Claims	Intercompany Claims will be paid, adjusted, reinstated in full or in part, or cancelled or discharged in full or in part, in each case, to the extent determined appropriate by the Reorganized Debtors.
9	Intercompany Interests	Intercompany Interests shall be Reinstated on the Effective Date.
10	Interests in AIH	Holders of Interests in AIH shall not receive any distribution on account of such Interests.

E. What will I receive from the Debtors if I hold an Administrative Claim or a Priority Tax Claim?

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

F. What happens to my recovery if the Plan is not confirmed or does not go effective?

In the event that the Plan is not confirmed, there is no assurance that the Debtors will be able to reorganize their businesses. It is possible that any alternative may provide Holders of Claims with less than they would have received pursuant to the Plan. For a more detailed description of the consequences of an extended chapter 11 case, or of a liquidation scenario, *see* "Confirmation of the Plan - Best Interests of Creditors/Liquidation Analysis" which begins on page 22, and the Liquidation Analysis attached as **Exhibit F** to this Disclosure Statement.

G. If the Plan provides that I get a distribution, do I get it upon Confirmation or when the Plan goes effective, and what is meant by "Confirmation," "Effective Date" and "Consummation?"

"Confirmation" of the Plan refers to approval of the Plan by the Bankruptcy Court. Confirmation of the Plan does not guarantee that you will receive the distribution indicated under the Plan. After Confirmation of the Plan by the Bankruptcy Court, there are conditions that need to be satisfied or waived so that the Plan can go effective. Initial distributions to Holders of Allowed Claims will only be made on the date the Plan becomes effective – the "Effective Date" – or as soon as practicable thereafter, as specified in the Plan. *See* "Confirmation of the Plan," which begins on page 21, for a discussion of the conditions to consummation of the Plan.

H. What are the sources of cash and other consideration required to fund the Plan?

The Plan contemplates that the Reorganized Debtors will enter into the New Loans, which will consist of: (a) a senior secured asset-based revolving facility referred to in the Plan as the "New ABL Facility" of up to $80 million (approximately $46.2 million of which will be drawn on the Effective

Date),[5] which will be used to fund the Debtors' ongoing operations post-emergence; (b) a new senior secured term loan referred to in the Plan as the "New Senior Term Loan," in the principal amount of $35 million;[6] (c) a new first lien secured term loan referred to in the Plan as the "New First Lien Term Loan," in the principal amount of $200 million; and (d) a new junior secured term loan referred to in the Plan as the "New Junior Term Loan," in the principal amount of $43 million. The material terms of the New Loans are set forth below. The documentation with respect to the New Loans will be included in the Plan Supplement.

The Debtors will use Cash on hand to make any payments provided for in the Plan, and the New ABL Facility will provide additional working capital after the Effective Date. The amount of Cash actually on hand on the Effective Date could vary to the extent the Debtors' actual receipts and disbursements vary from the amounts set forth in the Projections. *See* Article IX of this Disclosure Statement, which begins on page 15, for additional information.

Additionally, the Plan contemplates the issuance of up to 200 million shares of stock in Reorganized AIH (which the Plan refers to as "New Common Stock"), which stock will provide an additional source of recovery for Holders of First Lien Secured Claims and Second Lien Note Claims.

The material terms of each of the New Loans shall be as follows:

(i) New ABL Facility

The New ABL Facility shall (a) have an availability of up to $80 million, (b) have an interest rate of LIBOR plus 350 basis points (with a LIBOR floor of 150 basis points), (c) have a maturity of three years and (d) be secured by a first priority lien on all of the Restructured Debtors' assets. As of the Petition Date, the Debtors have secured a commitment for the New ABL Facility, which is subject to Bankruptcy Court Approval.

(ii) New Senior Term Loan

The New Senior Term Loan shall (a) be in the principal amount of $35 million (or $40 million to the extent the DIP Facility Tranche B is fully drawn as of the Effective Date), (b) have an interest rate of LIBOR plus 1050 basis points (with a LIBOR floor of 350 basis points), (c) have a maturity of five years and (d) be secured by substantially all of the Reorganized Debtors' assets junior in lien and payment to the New ABL Facility.

(iii) New First Lien Term Loan

The New First Lien Term Loan shall (a) be in the principal amount of $200 million, (b) until such time that the Reorganized Debtors achieve a Fixed Charge Coverage Ratio (defined below) of 1.25x or higher, the interest accruing on the New First Lien Term Loan shall be payable in both Cash and payment in kind ("***PIK***"), with the cash component priced at LIBOR plus 250 basis points (with a LIBOR floor of 150 basis points) and the PIK component priced at 250 basis points (the "***PIK Interest***"); *provided, that*

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[5] The estimated amount of the New ABL Facility assumes the Effective Date occurs on or about April 30, 2011, and includes an estimate of issued and undrawn letters of credit as of that time.

[6] The amount of the New Senior Term Loan may increase to $40 million to the extent the DIP Facility Tranche B is fully drawn pursuant to the terms of the DIP Credit Agreement.

once the Fixed Charge Coverage Ratio of 1.25x or higher is achieved, the PIK Interest shall be payable in Cash, (c) have a maturity date of five years (d) have $500,000 in quarterly amortization payments; *provided*, *however*, that no amortization payments shall be made during the first 18 months after the Effective Date and (e) be secured by substantially all of the Reorganized Debtors' assets, junior in lien and payment to the New ABL Facility and the New Senior Term Loan.

For purposes of this Disclosure Statement and Article IV.A.3 of the Plan, "***Fixed Charge Coverage Ratio***" shall mean for any twelve-month period (x) earnings before interest, taxes, depreciation and amortization, minus Cash capital expenditures, minus Cash taxes, divided by (y) Cash interest plus PIK Interest related to the New First Lien Term Loan plus scheduled Cash amortization of the New First Lien Term Loan.

(iv) New Junior Term Loan

The New Junior Term Loan shall (a) be in the principal amount of $43 million, (b) have cash pay interest that is the greater of (i) LIBOR and (ii) 1%, with a 4% cap and payment-in-kind interest of 700 basis points, (c) a maturity of six years and (d) be secured by substantially all of the Reorganized Debtors' assets, junior in lien and payment to the New ABL Facility, the New Senior Term Loan and the New First Lien Term Loan.

I. Are there risks to owning the New Common Stock upon emergence from chapter 11?

Yes. *See* "Risk Factors," which begins on page 16.

J. What rights will Reorganized AIH's new stockholders have?

Holders of First Lien Secured Claims will receive a Pro Rata share of 95% of the New Common Stock of Reorganized AIH in the form of Class A Common Stock, subject to dilution on account of the Management Equity Incentive Program. In addition, Holders of Second Lien Note Claims will receive a Pro Rata share of 5% of the New Common Stock of Reorganized AIH in the form of Class B Common Stock, subject to dilution on account of the Management Equity Incentive Program. On the Effective Date, all existing Interests in AIH (including common stock, preferred stock, and any options, warrants or rights to acquire any equity interests) shall be cancelled. On the Effective Date, Reorganized AIH shall enter into the New Stockholders Agreement and the New Registration Rights Agreement with each Entity that is to be a counter-party thereto and the New Stockholders Agreement and the New Registration Rights Agreement shall each be deemed to be valid, binding and enforceable in accordance with its terms, and each holder of New Common Stock shall be bound thereby.

K. What is the Management Equity Incentive Program and how will it affect the distribution I receive under the Plan?

The Plan contemplates the implementation of the Management Equity Incentive Program, which will provide for 10% of New Common Stock on the Effective Date to be reserved for issuance as restricted stock, stock appreciation rights and/or other equity securities in connection with the Reorganized Debtors' management equity incentive program. To the extent that New Common Stock is issued pursuant to the Management Equity Incentive Program, the value of New Common Stock distributed pursuant to the Plan will be diluted.

The Debtors and each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims shall engage in good faith negotiations to reach agreement on the Management Equity Incentive Program and include any form thereof and the amounts of any grants thereunder in the Plan

Supplement. If the Debtors and each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims are unable to reach an agreement notwithstanding their good faith efforts to do so, no such program shall be included in the Plan Supplement and instead, within 90 days of the Effective Date the New AIH Board shall adopt and implement the Management Equity Incentive Program.

L. Will there be releases granted to parties in interest as part of the Plan?

Yes. *See* "Article VIII - Settlement, Release, Injunction and Related Provisions," which begins on page 15 of the Plan, and is incorporated herein by reference.

M. What is the deadline to vote on the Plan?

[##:##] [a.m./p.m.] (prevailing Eastern Time) on [_____], 2011.

N. How do I vote for or against the Plan?

Detailed instructions regarding how to vote on the Plan are contained on the ballots distributed to Holders of Claims that are entitled to vote on the Plan. For your vote to be counted, your ballot must be completed and signed such that it is **actually received** by 4:00 p.m. (prevailing Eastern Time) on [_____], 2011 at the following address: Appleseed's Ballot Processing, c/o Kurtzman Carson Consultants LLC, Voting and Claims Agent for Appleseed's Intermediate Holdings LLC, et al., 2335 Alaska Avenue, El Segundo, California 90245. *See* Article XI of this Disclosure Statement, which begins on page 19.

O. Why is the Bankruptcy Court holding a Confirmation Hearing and when is the Confirmation Hearing set to occur?

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court to hold a hearing on confirmation of the Plan and recognizes that any party in interest may object to confirmation of the Plan.

The Bankruptcy Court has scheduled the Confirmation Hearing for [_____], 2011 at [##:##] [a.m./p.m.]. The Confirmation Hearing may be adjourned from time to time without further notice.

Objections to Confirmation of the Plan must be filed and served on the Debtors, and certain other parties, by no later than [_____], 2011 at [##:##] [a.m./p.m.] (prevailing Eastern Time) in accordance with the notice of the Confirmation Hearing that accompanies this Disclosure Statement and the Disclosure Statement Order attached hereto as **Exhibit C** and incorporated herein by reference.

P. What is the purpose of the Confirmation Hearing?

The confirmation of a plan of reorganization by a bankruptcy court binds the debtor, any issuer of securities under the plan of reorganization, any person acquiring property under the plan of reorganization, any creditor or equity interest holder of a debtor and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code. Subject to certain limited exceptions, the order issued by the Bankruptcy Court confirming a plan of reorganization discharges a debtor from any debt that arose before the confirmation of the plan of reorganization and provides for the treatment of such debt in accordance with the terms of the confirmed plan of reorganization.

Q. What is the effect of the Plan on the Debtors' ongoing business?

The Debtors are reorganizing under chapter 11 of the Bankruptcy Code. As a result, Confirmation means that the Debtors will not be liquidated or forced to go out of business. Following Confirmation, the Plan will be consummated on the Effective Date, which is a date selected by the Debtors that is the first business day after which all conditions to Consummation have been satisfied or waived. *See* Article IX of the Plan. On or after the Effective Date, and unless otherwise provided in the Plan, Reorganized AIH may operate its business and, except as otherwise provided by the Plan, may use, acquire or dispose of property and compromise or settle any Claims, Interests or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules. Additionally, upon the Effective Date, all actions contemplated by the Plan will be deemed authorized and approved.

The Debtors are significantly overleveraged and anticipate that after reorganizing under chapter 11, the Debtors' total annual interest expense will decrease from approximately $52 million to approximately $15 million. The following depicts the change to their anticipated capital structure after the Effective Date under the terms of the Plan from the Debtors' prepetition capital structure:

Prepetition Debt Obligations	**Prepetition Amount**
ABL Credit Agreement	$38.4 million[7]
First Lien Credit Agreement	$324.1 million
Second Lien Purchase Agreement	$289.3 million
AIH Note Purchase Agreement	$73.3 million
Total:	**$725.1 million**

[7] Includes issued and outstanding letters of credit.

Post-Effective Date Debt Obligations	Estimated Amount Outstanding as of the Effective Date
New ABL Credit Agreement	$46.2 million[8]
New Senior Term Loan Agreement	$35 million[9]
New First Lien Term Loan Credit Agreement	$200 million
New Junior Term Loan Agreement	$43 million
Total:	**$324.2 million**

R. Will any party have significant influence over the corporate governance and operations of the Reorganized Debtors?

The First Lien Lenders and the Second Lien Purchasers will hold 100% of the New Common Stock of Reorganized AIH on the Effective Date. Specifically, the First Lien Lenders will hold 95% of the New Common Stock in the form of Class A Common Stock, and the Second Lien Note Purchasers will hold 5% of the New Common Stock in the form of Class B Common Stock on the Effective Date.

On the Effective Date, the New AIH Board shall consist of seven directors: (a) five directors appointed by certain of the First Lien Lenders, including two directors appointed by American Capital, Ltd., one director appointed by Ableco Finance LLC, one director appointed by Highland Capital Management LP and one director appointed by Canyon Capital Advisors LLC; (b) one independent director appointed by the First Lien Lenders other than American Capital, Ltd., Ableco Finance LLC, Highland Capital Management LP and Canyon Capital Advisors LLC; and (c) the current Chief Executive Officer of AIH.

S. Who do I contact if I have additional questions with respect to this Disclosure Statement or the Plan?

If you have any questions regarding this Disclosure Statement or the Plan, please contact the Debtors' notice, claims and solicitation agent, Kurtzman Carson Consultants LLC, located at 2335 Alaska Avenue, El Segundo, California 90245, (866)-927-7081 (international (310)-751-2653).

Copies of the Plan, this Disclosure Statement and any other publicly filed documents in these Chapter 11 Cases are available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the website of the Debtors' notice, claims and solicitation agent at http://www.kccllc.net/appleseeds (free of charge) or the Bankruptcy Court's website at www.deb.uscourts.gov (for a fee).

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8 The estimated amount of the New ABL Facility assumes the Effective Date occurs on or about April 30, 2011, and includes an estimate of issued and undrawn letters of credit as of that time.

9 The amount of the New Senior Term Loan may increase to $40 million to the extent the DIP Facility Tranche B is fully drawn pursuant to the terms of the DIP Credit Agreement.

T. Do the Debtors recommend voting in favor of the Plan?

Yes. The Debtors believe the Plan provides for a larger distribution to the Debtors' creditors than would otherwise result from any other available alternative. The Debtors believe the Plan, which contemplates a significant deleveraging, is in the best interest of all Holders of Claims, and that other alternatives fail to realize or recognize the value inherent under the Plan.

VI. THE DEBTORS' CORPORATE HISTORY, STRUCTURE AND BUSINESS OVERVIEW

The Debtors are a leading, multi-channel marketer of apparel and home products focused on serving the needs of the rapidly growing market segment of women and men above the age of 55. The Debtors are comprised of a portfolio of 17 brands that offer apparel, accessories and shoes, as well as home and garden and health products. The Debtors had approximately $881 million in net sales in 2010 and approximately $954 million in net sales in 2009. A detailed summary of the Debtors' businesses, corporate history, organizational structure and prepetition capital structure may be found in the *Declaration of T. Neale Attenborough, Chief Executive Officer of Appleseed's Intermediate Holdings LLC, in Support of First Day Pleadings*, filed on the Petition Date [Docket No. [___]] (the "***First Day Declaration***"), which is attached hereto as **Exhibit B** and incorporated herein by reference.

VII. EVENTS LEADING TO THE CHAPTER 11 FILINGS

A number of factors contributed to the Debtors' decision to commence these Chapter 11 Cases. Although the Debtors' business model is viable, the Debtors' substantial funded debt burden, combined with adverse changes in the United States economy, affected the Debtors' ability to meet their debt obligations. For more information, as well as the strategic alternatives that the Debtors explored prepetition, see the First Day Declaration, attached hereto as **Exhibit B**.

VIII. RELIEF GRANTED DURING THE CHAPTER 11 CASES

On the Petition Date, the Debtors filed several motions seeking authorization to pay various prepetition claims, all of which is explained in **Exhibit B** attached to the First Day Declaration. Entry of these orders eased the strain on the Debtors' relationships with employees, vendors and customers following the commencement of the Chapter 11 Cases. The Debtors also obtained various procedural orders to ease the administrative burden of these cases. All of these orders can be found and viewed free of charge at www.kccllc.net/appleseeds.

IX. PROJECTED FINANCIAL INFORMATION

Attached hereto as **Exhibit D** is a projected consolidated income statement, which includes the following: (a) the Debtors' consolidated, unaudited, preliminary, financial statement information for the fiscal year ended December 25, 2010 and (b) consolidated, projected, unaudited, financial statement information of the Reorganized Debtors (collectively, the "***Financial Projections***") for the period from 2011 through 2015. The Financial Projections are based on an assumed Effective Date of April 22, 2011. To the extent that the Effective Date occurs after April 22, 2011, recoveries on account of Allowed Claims could be impacted.

Creditors and other interested parties should see the below "Risk Factors" for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors.

X. RISK FACTORS

Holders of Claims should read and consider carefully the risk factors set forth below before voting to accept or reject the Plan. Although there are many risk factors discussed below, 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. Risks Related to Recoveries Under the Plan

(i) The Debtors may not be able to achieve their projected financial results.

The Financial Projections set forth in **Exhibit D** to this Disclosure Statement represent the Debtors' management team's best estimate of the Debtors' future financial performance, which is necessarily based on certain assumptions regarding the anticipated future performance of the Reorganized Debtors' operations, as well as the United States and world economy in general and the industry segments in which the Debtors operate. While the Debtors believe that the Financial Projections contained in this Disclosure Statement are reasonable, there can be no assurance that they will be realized. If the Debtors do not achieve their projected financial results, (a) the value of the New Common Stock may be negatively affected, (b) the Debtors may lack sufficient liquidity to continue operating as planned after the Effective Date and (c) the Debtors may be unable to service their debt obligations as they come due. Moreover, the financial condition and results of operations of the Reorganized Debtors from and after the Effective Date may not be comparable to the financial condition or results of operations reflected in the Debtors' historical financial statements.

(ii) The Reorganized Debtors' New Common Stock will not be publicly traded under the Securities Act.

The New Common Stock will not be listed on a national securities exchange. Accordingly, there will be no public market for the New Common Stock and there can be no guarantee that liquid trading markets will develop. In the event a liquid trading market does not develop, the ability to freely transfer or sell New Common Stock may be substantially limited.

(iii) The restructuring of the Debtors may adversely affect the Debtors' tax attributes.

For a detailed description of the effect consummation of the Plan may have on the Debtors' tax attributes, see "Certain United States Federal Income Tax Consequences of the Plan," which begins on page 26.

B. Risks Related to the Debtors' and Reorganized Debtors' Businesses

(i) Indebtedness may adversely affect the Reorganized Debtors' operations and financial condition.

Upon confirmation of the Plan, the Reorganized Debtors will have outstanding indebtedness of approximately $324.2 million: $46.2 million drawn on the Effective Date under the New ABL Facility;[10]

[10] The estimated amount of the New ABL Facility assumes the Effective Date occurs on or about April 30, 2011, and includes an estimate of issued and undrawn letters of credit as of that time.

$35 million under the New Senior Term Loan;[11] $200 million under the New First Lien Term Loan; and $43 million under the New Junior Term Loan. The Plan refers to these obligations collectively as the "New Loans." Documentation with respect to the New Loans - which the Plan refers to as the "New Loan Documents" - will be included in the Plan Supplement Filed with the Bankruptcy Court before the Confirmation Hearing.

The Reorganized Debtors' ability to service the New Loans will depend, among other things, upon their future operating performance. The Debtors future operating performance depends partly on economic, financial, competitive and other factors beyond the Reorganized Debtors' control. The Reorganized Debtors may not be able to generate sufficient cash from operations to meet their debt service obligations, as well as fund necessary capital expenditures and investments in sales and marketing. In addition, if the Reorganized Debtors need to refinance their debt, obtain additional financing or sell assets or equity, they may not be able to do so on commercially reasonable terms, if at all.

Any default under the New Loans could adversely affect the Reorganized Debtors' growth, financial condition, results of operations, the value of the New Common Stock and the Reorganized Debtors' ability to make payments on such debt. The Reorganized Debtors may incur significant additional debt in the future. If current debt amounts increase, the related risks that the Reorganized Debtors now face will intensify.

(ii) The New Loan Documents may contain certain restrictions and limitations that could significantly affect the Reorganized Debtors' ability to operate their businesses, as well as significantly affect their liquidity.

The New Loan Documents may contain a number of significant covenants that could adversely affect the Reorganized Debtors' ability to operate their businesses, as well as significantly affect their liquidity, and therefore could adversely affect the Reorganized Debtors' results of operations. These covenants restrict (subject to certain exceptions) the Reorganized Debtors' ability to: incur additional indebtedness; grant liens; consummate mergers, acquisitions, consolidations, liquidations and dissolutions; sell assets; pay dividends and make other payments in respect of capital stock; make capital expenditures; make investments, loans and advances; make payments and modifications to subordinated and other material debt instruments; enter into transactions with affiliates; consummate sale-leaseback transactions; change their fiscal year; enter into hedging arrangements (except as otherwise expressly permitted); allow third parties to manage their operations; and change their lines of business. In addition, the Reorganized Debtors will be required to maintain a minimum interest coverage ratio and a maximum leverage ratio.

The breach of any covenants or obligations in the New Loan Documents not otherwise waived or amended could result in a default under the under the New Loans and could trigger acceleration of obligations thereunder. Any default under the New Loan Documents could adversely affect the Reorganized Debtors' growth, financial condition, results of operations and ability to make payments on debt.

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[11] The amount of the New Senior Term Loan may increase to $40 million to the extent the DIP Facility Tranche B is fully drawn pursuant to the terms of the DIP Credit Agreement.

(iii) Decreased spending by consumers and changes in the economy have had a material adverse effect on the Debtors' businesses, and a continuing downturn in the economy may have an even greater adverse impact on the Reorganized Debtors.

As described in the First Day Declaration, the recent downturn in the United States economy has had a material adverse impact on the Debtors' revenue and profit margins as a large part of the Debtors' net revenue is generated from the sale of consumer goods. A continuing recession or further downturn in the United States economy could have an even greater adverse impact on the Reorganized Debtors, as consumers generally reduce their spending during economic downturns. In addition, the current state of the economy could also adversely affect the Reorganized Debtors' ability to collect accounts receivable from consumers.

(iv) The Debtors may lose market share and revenue to competing apparel and home-good retailers.

The Debtors operate in a highly competitive industry, competing for consumer loyalty with various other retailers. Any adverse change in a particular market or in the relative market positions of the retailers located in a particular market, as well as any adverse change in consumers' preferences, could have a material adverse effect on the Reorganized Debtors' revenue. Other retailers may enter the markets in which the Reorganized Debtors currently operate or may operate in the future, and these companies may be larger and have more financial resources than the Reorganized Debtors. In addition, from time to time, other retailers may alter their products or advertising to compete directly with the Reorganized Debtors. These tactics could result in lower market share and consumer revenue or increased promotion and other expenses and, consequently, lower the Reorganized Debtors' earnings and cash flow.

(v) The Reorganized Debtors' results may be adversely affected if contracts are not renewed on sufficiently favorable terms.

Many of the Debtors' operations are dependent on contractual relationships with key third party suppliers of goods and services. The Reorganized Debtors' operations may be adversely affected to the extent that such contracts are not renewed or extended on favorable terms or are terminated.

(vi) If the Debtors lose key executive officers, the Debtors' businesses could be disrupted and the Debtors' financial performance could suffer.

The Debtors' businesses depend upon the continued efforts, abilities and expertise of the Debtors' management team. The Debtors believe that the unique combination of skills and experience possessed by the management team would be difficult to replace, and loss of the management team could have a material adverse effect on the Reorganized Debtors, including impairing the Reorganized Debtors' ability to execute their business strategy.

(vii) Risks related to information technology, confidential information and customer information.

The Debtors' businesses depend upon and will continue to depend upon adequate information technology systems. Additionally, a growing portion of the Debtors' business operations are conducted over the Internet, increasing the risk of viruses that could cause system failures and disruption of operations. Any failure to maintain the security of the confidential information of the Debtors' customers or suppliers could put the Debtors at a competitive disadvantage, result in deterioration in customers'

confidence in the Reorganized Debtors or subject the Reorganized Debtors to potential litigation, liability, fines and penalties.

(viii) The Reorganized Debtors could experience inflation and postage rate increases.

Any future inflation may adversely affect the Reorganized Debtors' costs, including the cost of merchandise and transportation of such merchandise. Furthermore, the transportation costs could be further exacerbated by higher fuel prices. The Reorganized Debtors' operations may be adversely affected if they are unable to secure adequate transportation to deliver merchandise to their warehouses or fulfill customer orders. Furthermore, the Reorganized Debtors' business model depends largely on their ability to mail catalogs to current and prospective customers. Thus, increases in United States Postal Service rates may adversely affect the Reorganized Debtors' operating results.

(ix) Risks related to e-commerce may adversely affect the Reorganized Debtors' business operations.

The Reorganized Debtors' online businesses will be subject to numerous risks, many of which are outside of their control. In addition to changing consumer preferences and buying trends relating to online business, the Reorganized Debtors will be vulnerable to additional risks associated with the Internet, such as changes in required technology interfaces, website downtime and other technical failures, changes in applicable federal and state regulation, security breaches and consumer privacy concerns.

(x) Laws or regulations relating to privacy and data protection may adversely affect the growth of the Reorganized Debtors' internet business or marketing efforts.

The Debtors mail catalogs and send electronic messages to customers in their customer database and to potential customers whose names the Debtors obtain from mailing lists. Public concern regarding personal privacy has caused increased scrutiny and government regulation with respect to the use of customer mailing lists and other customer information, including information transmitted over the Internet. Such privacy and data protection laws and regulations may restrict the Reorganized Debtors' ability to collect, use or transfer demographic and personal information, which could harm the Reorganized Debtors' marketing efforts. Further, any violation of domestic or foreign privacy or data protection laws and regulations may subject the Reorganized Debtors to fines, penalties and damages, thus decreasing the Reorganized Debtors' revenue and profitability.

XI. SOLICITATION AND VOTING PROCEDURES

This Disclosure Statement, which is accompanied by a ballot or ballots to be used for voting on the Plan, is being distributed to the Holders of Claims in those Classes that are entitled to vote to accept or reject the Plan. The procedures and instructions for voting and related deadlines are set forth in the exhibits annexed to the Disclosure Statement Order, which is attached hereto as **Exhibit C**.

The Disclosure Statement Order is incorporated herein by reference and should be read in conjunction with this Disclosure Statement and in formulating a decision to vote to accept or reject the Plan.

THE DISCUSSION OF THE SOLICITATION AND VOTING PROCESS SET FORTH IN THIS DISCLOSURE STATEMENT IS ONLY A SUMMARY.

PLEASE REFER TO THE DISCLOSURE STATEMENT ORDER ATTACHED HERETO FOR A MORE COMPREHENSIVE DESCRIPTION OF THE SOLICITATION AND VOTING PROCESS.

A. Holders of Claims Entitled to Vote on the Plan

Under the provisions of the Bankruptcy Code, not all holders of claims against a debtor are entitled to vote on a chapter 11 plan. The table in section V.C of this Disclosure Statement, which begins on page 7, provides a summary of the status and voting rights of each Class (and, therefore, of each Holder within such Class absent an objection to the Holder's Claim) under the Plan. As shown in the table, the Debtors are soliciting votes to accept or reject the Plan only from Holders of Claims in Classes 1B, 4, 5, and 6A (collectively, the "***Voting Classes***").

The Holders of Claims in the Voting Classes are Impaired under the Plan and may, in certain circumstances, receive a distribution under the Plan. Accordingly, Holders of Claims in the Voting Classes have the right to vote to accept or reject the Plan.

The Debtors are **not** soliciting votes from Holders of Claims and Interests in Classes 1A, 2, 3, 6B, 7, 8, 9 and 10. Additionally, the Disclosure Statement Order provides that certain Holders of Claims in the Voting Classes, such as those Holders whose Claims have been disallowed or are subject to a pending objection, are not entitled to vote to accept or reject the Plan.

B. Voting Record Date

The Voting Record Date is [_____], 2011. The Voting Record Date is the date on which it will be determined which Holders of Claims in the Voting Classes are entitled to vote to accept or reject the Plan and whether Claims have been properly assigned or transferred under Bankruptcy Rule 3001(e) such that an assignee can vote as the Holder of a Claim.

C. Voting on the Plan

The Voting Deadline is 4:00 p.m. prevailing Eastern time on [_____], 2011. In order to be counted as votes to accept or reject the Plan, all ballots must be properly executed, completed and delivered (either by using the return envelope provided, by first class mail, overnight courier or personal delivery) so that they are **actually received** on or before the Voting Deadline by the Debtors' voting and claims agent (the "***Voting and Claims Agent***") at the following addresses:

DELIVERY OF BALLOTS

APPLESEED'S BALLOT PROCESSING
C/O KURTZMAN CARSON CONSULTANTS LLC
VOTING AND CLAIMS AGENT FOR
APPLESEED'S INTERMEDIATE HOLDINGS LLC, ET AL.
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

If you received an envelope addressed to your nominee, please allow enough time when you return your ballot for your nominee to cast your vote on a ballot before the Voting Deadline.

D. Ballots Not Counted

No ballot will be counted toward Confirmation if, among other things: (a) it is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (b) it was transmitted by facsimile or other electronic means; (c) it was cast by an entity that is not entitled to vote on the Plan; (d) it was cast for a Claim listed in the Schedules as contingent, unliquidated or disputed for which the applicable bar date has passed and no proof of claim was timely filed; (e) it was cast for a Claim that is subject to an objection pending as of the Voting Record Date (unless temporarily allowed in accordance with the Disclosure Statement Order); (f) it was sent to the Debtors, the Debtors' agents/representatives (other than the Voting and Claims Agent), an indenture trustee or the Debtors' financial or legal advisors instead of the Voting and Claims Agent; (g) it is unsigned; or (h) it is not clearly marked to either accept or reject the Plan or it is marked both to accept and reject the Plan. **Please refer to the Disclosure Statement Order for additional requirements with respect to voting to accept or reject the Plan.**

IF YOU HAVE ANY QUESTIONS ABOUT THE SOLICITATION OR VOTING PROCESS, PLEASE CONTACT THE VOTING AND CLAIMS AGENT AT (310) 823-9000. ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE SOLICITATION ORDER WILL NOT BE COUNTED.

XII. CONFIRMATION OF THE PLAN

A. Requirements for Confirmation of the Plan

Among the requirements for Confirmation of the Plan pursuant to section 1129 of the Bankruptcy Code are: (1) the Plan is accepted by all Impaired Classes of Claims, or if rejected by an Impaired Class, the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class; (2) the Plan is feasible; and (3) the Plan is in the "best interests" of Holders of Claims.

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Plan satisfies all of the requirements of section 1129 of the Bankruptcy Code. The Debtors believe that: (1) the Plan satisfies or will satisfy all of the necessary statutory requirements of chapter 11; (2) the Debtors have complied or will have complied with all of the necessary requirements of chapter 11; and (3) the Plan has been proposed in good faith.

B. Best Interests of Creditors/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find as a condition to confirmation, that a chapter 11 plan provides, with respect to each class, that each holder of a claim or an equity interest in such class either (1) has accepted the plan or (2) will receive or retain under the plan property of a value that is not less than the amount that such holder would receive or retain if the debtors liquidated under chapter 7.

Attached hereto as **Exhibit F** and incorporated herein by reference is a liquidation analysis (the "***Liquidation Analysis***") prepared by the Debtors with the assistance of Alvarez & Marsal North America, LLC ("***A&M***"), the Debtors' restructuring advisor. As reflected in the Liquidation Analysis, the Debtors believe that liquidation under chapter 7 of the Bankruptcy Code of the Debtors' businesses would result in substantial diminution in the value to be realized by Holders of Claims as compared to distributions contemplated under the Plan. Consequently, the Debtors and their management believe that Confirmation of the Plan will provide a substantially greater return to Holders of Claims than would a liquidation under chapter 7 of the Bankruptcy Code.

If the Plan is not confirmed, and the Debtors fail to propose and confirm an alternative plan of reorganization, the Debtors' businesses may be liquidated pursuant to the provisions of a chapter 11 liquidating plan. In liquidations under chapter 11, the Debtors' assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7. Thus, a chapter 11 liquidation may result in larger recoveries than a chapter 7 liquidation, but the delay in distributions could result in lower present values received and higher administrative costs. Any distribution to Holders of Claims under a chapter 11 liquidation plan would most likely be substantially delayed. Most importantly, the Debtors believe that any distributions to creditors in a chapter 11 liquidation scenario would fail to capture the significant going concern value of their businesses, which is reflected in the New Common Stock to be distributed under the Plan. Accordingly, the Debtors believe that a chapter 11 liquidation would not result in distributions as favorable as those under the Plan.

C. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization of the debtor, or any successor to the debtor (unless such liquidation or reorganization is proposed in the plan of reorganization).

To determine whether the Plan meets this feasibility requirement, the Debtors have analyzed their ability to meet their respective obligations under the Plan. As part of this analysis, the Debtors have prepared the Financial Projections attached hereto as **Exhibit D** and incorporated herein by reference. Based upon the Financial Projections, the Debtors believe that they will be a viable operation following these Chapter 11 Cases and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

D. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation, except as described in the following section, that each class of claims or equity interests impaired under a plan, accept the plan. A

class that is not "impaired" under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such a class is not required.[12]

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds in a dollar amount and more than one-half in a number of allowed claims in that class, counting only those claims that have *actually* voted to accept or to reject the plan. Thus, a class of claims will have voted to accept the plan only if two-thirds in amount and a majority in number actually cast their ballots in favor of acceptance.

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 all impaired classes have not accepted it; *provided, however*, that the plan has been 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 a "cramdown" 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.

If any Impaired Class rejects the Plan, the Debtors reserve the right to seek to confirm the Plan utilizing the "cramdown" provision of section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Debtors will request Confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan Supplement document, including the right to amend or modify it to satisfy the requirements of section 1129(b) of the Bankruptcy Code.

(i) No Unfair Discrimination

The "unfair discrimination" test applies to classes of claims or interests that are of equal priority and are receiving different treatment under a 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). Bankruptcy courts will take into account a number of factors in determining whether a plan discriminates unfairly. A plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

(ii) Fair and Equitable Test

The "fair and equitable" 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 dissenting class, the test sets different standards depending upon the type of claims or equity interests in such class.

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[12] A class of claims is "impaired" within the meaning of section 1124 of the Bankruptcy Code unless the plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or equity interest entitles the holder of such claim or equity interest or (b) cures any default, reinstates the original terms of such obligation, compensates the holder for certain damages or losses, as applicable, and does not otherwise alter the legal, equitable or contractual rights to which such claim or equity interest entitles the holder of such claim or equity interest.

The Debtors submit that if the Debtors "cramdown" the Plan pursuant to section 1129(b) of the Bankruptcy Code, the Plan is structured such that it does not "discriminate unfairly" and satisfies the "fair and equitable" requirement. With respect to the unfair discrimination requirement, all Classes under the Plan are provided treatment that is substantially equivalent to the treatment that is provided to other Classes that have equal rank. The Debtors believe that the Plan and the treatment of all Classes of Claims and Interests under the Plan satisfy the foregoing requirements for nonconsensual Confirmation of the Plan.

F. Valuation of the Debtors

In conjunction with formulating the Plan and satisfying its obligations under section 1129 of the Bankruptcy Code, the Debtors determined that it was necessary to estimate the post-Confirmation going concern value of the Debtors. The Valuation Analysis is set forth in **Exhibit E** attached hereto and incorporated herein by reference.

XIII. CERTAIN SECURITIES LAW MATTERS

A. New Common Stock

As discussed herein, the Plan provides for Reorganized AIH to distribute New Common Stock in the form of Class A Common Stock to Holders of Allowed Claims in Class 4 and New Common Stock in the form of Class B Common stock to Holders of Allowed Claims in Class 5.

The Debtors believe that the New Common Stock are "securities," as defined in Section 2(a)(1) of the Securities Act, section 101 of the Bankruptcy Code and any applicable state securities law (a "***Blue Sky Law***"). The Debtors further believe that the offer and sale of the New Common Stock pursuant to the Plan are, and subsequent transfers of the New Common Stock by the holders thereof that are not "underwriters," as defined in Section 2(a)(11) of the Securities Act and in the Bankruptcy Code, will be, exempt from federal and state securities registration requirements under various provisions of the Securities Act, the Bankruptcy Code and applicable state Blue Sky Laws.

B. Issuance and Resale of New Common Stock under the Plan

(i) Exemptions from Registration Requirements of the Securities Act and State Blue Sky Laws

Section 1145 of the Bankruptcy Code provides that the registration requirements of section 5 of the Securities Act (and any applicable state Blue Sky Law) shall not apply to the offer or sale of stock, options, warrants or other securities by a debtor if: (a) the offer or sale occurs under a plan of reorganization; (b) the recipients of the securities hold a claim against, an interest in, or claim for administrative expense against, the debtor; and (c) the securities are issued in exchange for a claim against or interest in a debtor or are issued principally in such exchange and partly for cash and property. In reliance upon these exemptions, the offer and sale of the New Common Stock will not be registered under the Securities Act or any applicable state Blue Sky Law.

To the extent that the issuance of the New Common Stock is covered by section 1145 of the Bankruptcy Code, the New Common Stock may be resold without registration under the Securities Act or other federal securities laws, unless the holder is an "underwriter" (as discussed below) with respect to such securities, as that term is defined in section 2(a)(11) of the Securities Act and in the Bankruptcy Code. In addition, the New Common Stock generally may be able to be resold without registration under applicable state Blue Sky Laws pursuant to various exemptions provided by the respective Blue Sky Law

of those states; however, the availability of such exemptions cannot be known unless individual state Blue Sky Laws are examined.

Recipients of the New Common Stock are advised to consult with their own legal advisors as to the applicability of section 1145 of the Bankruptcy Code to the New Common Stock and the availability of any exemption from registration under the Securities Act and state Blue Sky Laws.

(ii) Resale of New Common Stock; Definition of Underwriter

Section 1145(b)(1) of the Bankruptcy Code defines an "underwriter" as one who, except with respect to "ordinary trading transactions" of an entity that is not an "issuer": (a) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such Claim or Interest; (b) offers to sell securities offered or sold under a plan for the holders of such securities; (c) offers to buy securities offered or sold under a plan from the holders of such securities, if such offer to buy is (i) with a view to distribution of such securities and (ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or (d) is an issuer of the securities within the meaning of section 2(a)(11) of the Securities Act. In addition, a Person who receives a fee in exchange for purchasing an issuer's securities could also be considered an underwriter within the meaning of section 2(a)(11) of the Securities Act.

The definition of an "issuer" for purposes of whether a Person is an underwriter under section 1145(b)(1)(D) of the Bankruptcy Code, by reference to section 2(a)(11) of the Securities Act, includes as "statutory underwriters" all persons who, directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with, an issuer of securities. The reference to "issuer," as used in the definition of "underwriter" contained in section 2(a)(11) of the Securities Act, is intended to cover "controlling persons" of the issuer of the securities. "Control," as defined in Rule 405 of the Securities Act, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise. Accordingly, an officer or director of a reorganized debtor or its successor under a plan of reorganization may be deemed to be a "controlling Person" of such debtor or successor, particularly if the management position or directorship is coupled with ownership of a significant percentage of the reorganized debtor's or its successor's voting securities. In addition, the legislative history of section 1145 of the Bankruptcy Code suggests that a creditor who owns ten percent or more of a class of securities of a reorganized debtor may be presumed to be a "controlling Person" and, therefore, an underwriter.

Resales of the New Common Stock by Entities deemed to be "underwriters" (which definition includes "controlling Persons") are not exempted by section 1145 of the Bankruptcy Code from registration under the Securities Act or other applicable law. Under certain circumstances, holders of New Common Stock who are deemed to be "underwriters" may be entitled to resell their New Common Stock pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of the Securities Act would permit the public sale of securities received by such person if current information regarding the issuer is publicly available and if volume limitations, manner of sale requirements and certain other conditions are met. Whether any particular Person would be deemed to be an "underwriter" (including whether such Person is a "controlling Person") with respect to the New Common Stock would depend upon various facts and circumstances applicable to that Person. Accordingly, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the New Common Stock and, in turn, whether any Person may freely resell New Common Stock. The Debtors recommend that potential recipients of New Common Stock consult their own

counsel concerning their ability to freely trade such securities without compliance with the federal and applicable state Blue Sky Laws.

XIV. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A. Introduction

The following discussion summarizes certain United States ("***U.S.***") federal income tax consequences of the implementation of the Plan to the Debtors, the Reorganized Debtors and certain Holders of Claims and Interests. This summary is based on the Internal Revenue Code of 1986, as amended (the "***Tax Code***"), the U.S. Treasury Regulations promulgated thereunder (the "***Regulations***"), judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service (the "***IRS***"), all as in effect on the date hereof (collectively, "***Applicable Tax Law***"). Changes in such rules or new interpretations of the rules may have retroactive effect and could significantly affect the U.S. federal income tax consequences described below. The Debtors have not requested, and will not request, any ruling or determination from the IRS or any other taxing authority with respect to the tax consequences discussed herein, and the discussion below is not binding upon the IRS or the courts. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any position discussed herein.

This summary does not apply to Holders of Claims or Interests that are not "U.S. persons" (as such phrase is defined in the Tax Code). This summary does not address foreign, state or local tax consequences of the Plan, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to a Holder in light of its individual circumstances or to a Holder that may be subject to special tax rules (such as Persons who are related to the Debtors within the meaning of the Tax Code, foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax exempt organizations, pass-through entities, beneficial owners of pass-through entities, subchapter S corporations, persons who hold Claims or Interests or who will hold the New Common Stock or New Loans as part of a straddle, hedge, conversion transaction or other integrated investment, persons using a mark-to-market method of accounting, and Holders of Claims or Interests who are themselves in bankruptcy). Furthermore, this summary assumes that a Holder of a Claim holds only Claims in a single Class and holds a Claim only as a "capital asset" (within the meaning of Section 1221 of the Tax Code). This summary also assumes that the various debt and other arrangements to which any of the Debtors are a party will be respected for U.S. federal income tax purposes in accordance with their form.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. 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 OR INTEREST. ALL HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE, LOCAL AND NON-U.S. INCOME, ESTATE AND OTHER TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE TAX CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS

WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THIS DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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

(i) Implementation of the Restructuring Transactions

AIH is presently a wholly-owned subsidiary of Orchard Brands Corporation ("***Orchard Brands***") and is disregarded as an entity separate from Orchard Brands for U.S. federal income tax purposes. As a consequence, Orchard Brands is treated as holding, for U.S. federal income tax purposes, all the assets and liabilities of AIH and its subsidiaries that are also disregarded entities. Orchard Brands is also the parent of a consolidated tax group that includes AIH's domestic corporate subsidiaries. Orchard Brands is not a party to any of the Debtors' pre-petition credit agreements or the related obligations thereunder and is not a Debtor in the Chapter 11 cases. Accordingly, Orchard Brands is not subject to the Plan or the jurisdiction of the Bankruptcy Court.

Pursuant to the restructuring transactions contemplated under the Plan, AIH will elect to be treated as a corporation for U.S. federal income tax purposes, effective immediately before the Effective Date. As a result of this election, Orchard Brands will be deemed to transfer all of the assets and liabilities of AIH and its subsidiaries that are also disregarded entities to a new corporation (which will become Reorganized AIH) in exchange for the New Common Stock, which will be distributed to the Holders of Claims in Classes 4 and 5.

The U.S. federal income tax consequences of a disregarded entity, but not its corporate parent, undergoing a restructuring of the type contemplated under the Plan have not, to the knowledge of the Debtors, been directly addressed pursuant to Applicable Tax Law. Although not free from doubt, the Debtors believe that it is more likely than not that for U.S. federal income tax purposes, the deemed transfer of assets to a new corporation (which will become Reorganized AIH) followed by the distribution of stock of such new corporation pursuant to the Plan will qualify as a reorganization under section 368(a)(1)(G) of the Tax Code (a "***G" reorganization***"). In addition to other statutory and non-statutory requirements common to tax-free reorganizations, for the transactions contemplated by the Plan to qualify as a "G" reorganization, (a) Orchard Brands must be treated as transferring substantially all of its assets to another corporation pursuant to a bankruptcy case and distributing the stock and securities received of such corporation, including to at least one person treated, for U.S. federal income tax purposes, as a stockholder or security holder of Orchard Brands and (b) the persons treated, for U.S. federal income tax purposes, as historic shareholders and creditors of Orchard Brands must receive, collectively, a sufficient percentage of the acquiring corporation's stock relative to the amount of non-stock consideration received. Although not free from doubt, the Debtors believe that it is more likely than not that all of these requirements will be satisfied. In particular, although Orchard Brands is not itself subject to the Plan or the jurisdiction of the Bankruptcy Court, the Debtors believe the deemed transfer of its assets to a new corporation is more likely than not to be treated as occurring pursuant to a bankruptcy case since AIH is subject to the Plan and the jurisdiction of the Bankruptcy Court and is disregarded as separate from Orchard Brands for U.S. federal income tax purposes. Accordingly, the Debtors anticipate that the Reorganized Debtors will succeed to any remaining tax attributes of Orchard Brands and the Debtors, including their NOL carryforwards (as defined below) and their tax bases in their deemed transferred assets, after taking into account any reduction in such attributes as a result of the discharge of Claims against the Debtors pursuant to the Plan, and subject to any applicable limitations on the subsequent utilization of such attributes (such as under section 382 of the Tax Code, as discussed below).

For purposes of the remainder of this section, references to the Debtors and AIH shall be deemed to include Orchard Brands where appropriate.

(ii) Cancellation of Debt and Reduction of Tax Attributes

In general, absent an exception, a debtor will realize and recognize cancellation of debt income ("***COD Income***") upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD Income, in general, is the excess of (a) the adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of Cash paid, and (y) the fair market value (or, in the case of the New Loans, the issue price (defined below)) of any new consideration (including stock of the debtor) given in satisfaction of such indebtedness at the time of the exchange.

As noted above, AIH is disregarded as an entity separate from Orchard Brands for U.S. federal income tax purposes, although Orchard Brands is not itself subject to the Plan or the jurisdiction of the Bankruptcy Court. Although it is not free from doubt, the Debtors believe that for purposes of applying the bankruptcy exclusion to COD Income described below, it is more likely than not that because AIH is under the jurisdiction of the Bankruptcy Court, Orchard Brands will be so treated as well for U.S. federal income tax purposes, and that the bankruptcy exclusion to COD Income will apply to any indebtedness of the Debtors satisfied for total consideration less than the amount of such indebtedness. Accordingly, the following discussion assumes such exclusion will apply.

Under section 108 of the Tax Code, a debtor is not required to include COD Income in gross income if the debtor is under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such exclusion, a debtor must reduce its tax attributes by the amount of COD Income that it excluded from gross income pursuant to the rule discussed in the preceding sentence. In general, tax attributes will be reduced in the following order: (a) net operating losses ("***NOLs***") and NOL carryforwards; (b) general business credit carryovers; (c) minimum tax credit carryovers; (d) capital loss carryovers; (e) tax basis in assets; (f) passive activity loss and credit carryovers; and (g) foreign tax credit carryovers. Alternatively, a debtor with COD Income may elect first to reduce the basis of its depreciable assets pursuant to section 108(b)(5) of the Tax Code. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined. Any excess COD Income over the amount of available tax attributes is not subject to U.S. federal income tax and has no other U.S. federal income tax impact.

The Regulations address the method and order for applying tax attribute reduction to an affiliated group of corporations. Under these regulations, the tax attributes of each member of an affiliated group of corporations that is excluding COD Income is first subject to reduction. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. If a debtor member's excluded COD Income exceeds its tax attributes, the excess COD Income is applied to reduce certain remaining consolidated tax attributes of the affiliated group. Because the Plan provides that Holders of certain Allowed Claims will receive New Loans and/or New Common Stock, the amount of COD Income, and accordingly the amount of tax attributes required to be reduced, will depend on the fair market value of the New Common Stock and the issue prices of the New Loans exchanged therefor. This value cannot be known with certainty at this time. However, as a result of Confirmation, the Debtors expect that there will be material reductions in, or elimination of, NOLs, NOL carryforwards and other tax attributes.

(iii) Limitation of NOL Carry Forwards and Other Tax Attributes

Following Confirmation, the Debtors anticipate that any remaining NOL carryover, capital loss carryover, tax credit carryovers and certain other tax attributes (such as losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) of the Reorganized Debtors allocable to periods before the Effective Date (collectively, the "***Pre-Change Losses***") may be subject to limitation or elimination under sections 382 and 383 of the Tax Code as a result of an "ownership change" of the Reorganized Debtors by reason of the transactions pursuant to the Plan.

Under sections 382 and 383 of the Tax Code, if a corporation undergoes an "ownership change," the amount of its Pre-Change Losses that may be utilized to offset future taxable income generally is subject to an annual limitation. The rules of section 382 of the Tax Code are complicated, but as a general matter, the Debtors anticipate that the issuance of the New Common Stock pursuant to the Plan will result in an "ownership change" of the Reorganized Debtors for these purposes, and that the Reorganized Debtors' use of their Pre-Change Losses will be subject to limitation unless an exception to the general rules of section 382 of the Tax Code applies.

For this purpose, if a corporation (or consolidated group) has a net unrealized built-in loss at the time of an ownership change (taking into account most assets and items of "built-in" income and deductions), then generally built-in losses (including amortization or depreciation deductions attributable to such built-in losses) recognized during the following five years (up to the amount of the original net unrealized built-in loss) will be treated as Pre-Change Losses and similarly will be subject to the annual limitation. In general, a corporation's (or consolidated group's) net unrealized built-in loss will be deemed to be zero unless it is greater than the lesser of (i) $10,000,000 or (ii) 15% of the fair market value of its assets (with certain adjustments) before the ownership change. The Debtors expect they will be in a net unrealized built-in loss position on the Effective Date.

(iv) General Section 382 Annual Limitation

In general, the amount of the annual limitation to which a corporation that undergoes an "ownership change" would be subject is equal to the product of (a) the fair market value of the stock of the corporation immediately before the "ownership change" (with certain adjustments) multiplied by (b) the "long-term tax-exempt rate" (which is the highest of the adjusted federal long-term rates in effect for any month in the 3-calendar-month period ending with the calendar month in which the "ownership change" occurs). Any unused limitation may be carried forward, thereby increasing the annual limitation in the subsequent taxable year.

(v) Special Bankruptcy Exceptions

An exception to the foregoing annual limitation rules generally applies when so-called "qualified creditors" of a debtor corporation in chapter 11 receive, in respect of their claims, at least 50% of the vote and value of the stock of the reorganized debtor (or a controlling corporation if also in chapter 11) pursuant to a confirmed chapter 11 plan (the "***382(l)(5) Exception***"). Under the 382(l)(5) Exception, a debtor's Pre-Change Losses are not limited on an annual basis, but, instead, NOL carryforwards will be reduced by the amount of any interest deductions claimed during the three taxable years preceding the effective date of the plan of reorganization, and during the part of the taxable year prior to and including the effective date of the plan of reorganization, in respect of all debt converted into stock in the reorganization. If the 382(l)(5) Exception applies and the Reorganized Debtors undergo another "ownership change" within two years after the Effective Date, then the Reorganized Debtors' Pre-Change Losses effectively would be eliminated in their entirety.

Where the 382(l)(5) Exception is not applicable to a corporation in bankruptcy (either because the debtor does not qualify for it or the debtor otherwise elects not to utilize the 382(l)(5) Exception), a second special rule will generally apply (the "***382(l)(6) Exception***"). Under the 382(l)(6) Exception, the limitation will be calculated by reference to the lesser of the value of the debtor corporation's new stock (with certain adjustments) immediately after the ownership change or the value of such debtor corporation's assets (determined without regard to liabilities) immediately before the ownership change. This differs from the ordinary rule that requires the fair market value of a debtor corporation that undergoes an "ownership change" to be determined before the events giving rise to the change. The 382(l)(6) Exception also differs from the 382(l)(5) Exception in that under it the debtor corporation is not required to reduce their NOL carryforwards by the amount of interest deductions claimed within the prior three-year period, and the debtor may undergo a change of ownership within two years without triggering the elimination of its Pre-Change Losses.

As noted above, AIH is disregarded as an entity separate from Orchard Brands for U.S. federal income tax purposes, although Orchard Brands is not itself subject to the Plan or the jurisdiction of the Bankruptcy Court. Although not free from doubt, the Debtors believe that it is more likely than not that because AIH is under the jurisdiction of the Bankruptcy Court, Orchard Brands will be so treated as well for U.S. federal income tax purposes, and that the Reorganized Debtors will qualify for either the 382(l)(5) Exception or the 382(l)(6) Exception. The Debtors have not yet determined whether to utilize the 382(l)(5) Exception. In the event that the Debtors do not use the 382(l)(5) Exception, the Debtors expect that the use by the Reorganized Debtors of any Pre-Change Losses after the Effective Date would be subject to limitation based on the rules discussed above, but taking into account the 382(l)(6) Exception. Regardless of whether the Reorganized Debtors take advantage of the 382(l)(5) Exception or the 382(l)(6) Exception, the Reorganized Debtors' use of their Pre-Change Losses after the Effective Date may be adversely affected if an "ownership change" within the meaning of section 382 of the Tax Code were to occur after the Effective Date. With respect to any ownership change after the Effective Date, NOLs and other tax attributes attributable to the period prior to the Effective Date are treated as Pre-Change Losses for the latter ownership change as well, with the result that such tax attributes will be subject to the smaller of the earlier annual limitation and any later annual limitations.

(vi) Alternative Minimum Tax

In general, an alternative minimum tax ("***AMT***") is imposed on a corporation's alternative minimum taxable income ("***AMTI***") at a 20% rate to the extent such tax exceeds the corporation's regular federal income tax for the year. AMTI is generally equal to regular taxable income with certain adjustments. For purposes of computing AMTI, certain tax deductions and other beneficial allowances are modified or eliminated. For example, except for alternative tax NOLs generated in certain years, which can offset 100% of a corporation's AMTI, only 90% of a corporation's AMTI may be offset by available alternative tax NOL carryforwards. The effect of this rule could cause the Reorganized Debtors to owe a modest amount of federal and state income tax on taxable income in future years even if NOL carryforwards are available to offset that taxable income. Additionally, under section 56(g)(4)(G) of the Tax Code, an ownership change (as discussed above) that occurs with respect to a corporation having a net unrealized built-in loss in its assets will cause, for AMT purposes, the adjusted basis of each asset of the corporation immediately after the ownership change to be equal to its proportionate share (determined on the basis of respective fair market values) of the fair market value of the assets of the corporation, as determined under section 382(h) of the Tax Code, immediately before the ownership change, the effect of which may increase the amount of AMT owed by the Reorganized Debtors.

C. Certain U.S. Federal Income Tax Consequences to Certain Holders of Claims and Interests

(i) Consequences to Holders of Class 1A Claims

Each Holder of a DIP Facility Tranche A Claim will receive Cash in full satisfaction and discharge of its Claim. Such Holders will generally recognize income, gain, or loss for U.S. federal income tax purposes in an amount equal to the difference between (a) the amount of Cash received in exchange for its Claim 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.

(ii) Consequences to Holders of Class 1B Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, except to the extent that a Holder of a DIP Facility Tranche B Claim agrees to a less favorable treatment, each Holder of an Allowed DIP Facility Tranche B Claim will receive its pro rata share of the New Senior Term Loan. The U.S. federal income tax consequences of the Plan to such Holders of Claims will depend, in part, on whether the Claims surrendered and/or the assets received constitute "securities" for U.S. federal income tax purposes.

Whether a debt instrument constitutes a "security" is determined based on all the facts and circumstances, but most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of five years or less is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that it is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable or contingent and whether such payments are made on a current basis or accrued. The DIP Facility Credit Agreement had an initial term which varied depending on certain events, but was in any case less than one year following issuance. The New Senior Term Loan has an initial term of five years. The Debtors expect to take the position that neither the New Senior Term Loan nor the DIP Facility Tranche B Claims are "securities" for U.S. federal income tax purposes.

Accordingly, each Holder of an Allowed Class 1B DIP Facility Tranche B Claim should be treated as exchanging its Claim for its pro rata share of the New Senior Term Loan in a fully taxable exchange. A Holder should recognize gain or loss on the relevant exchange equal to the difference between (a) the Holder's tax basis in the Claims surrendered by the Holder in such exchange and (b) the pro rata share of the issue price of the New Senior Term Loan (which, if neither such Allowed Claim nor the New Senior Term Loan are "publicly traded" for U.S. federal income tax purposes, will equal the pro rata share of the stated principal amounts of the New Senior Term Loan, or if any is publicly traded, will equal the pro rata share of the fair market value of the New Senior Term Loan (as of the date they are distributed to the Holder) (the "***Issue Price***")) received in such exchange that is not allocable to accrued interest. Such gain or loss should be capital in nature (subject to the "market discount" and "accrued interest" rules described below) received in such exchange and should be long term capital gain or loss if the Claims were held for more than one year by the Holder. A Holder's tax basis in its pro rata share of

the New Senior Term Loan should equal its pro rata share of the Issue Price of the New Senior Term Loan. A Holder's holding period for the New Senior Term Loan should begin on the day following the Effective Date.

The tax consequences of the Plan to the Holders of Class 1B Claims are highly uncertain. Holders of Class 1B Claims should consult their tax advisors regarding whether such Claims or New Senior Term Loan could be treated as "securities" for U.S. federal income tax purposes.

(ii) Consequences to Holders of Class 3 and 6A Claims

Pursuant to the Plan, Holders of Allowed Class 3 Other Secured Claims and, subject to entry into a Qualified Vendor Support Agreement, Holders of Class 6A Allowed Qualified Unsecured Trade Claims will either receive Cash or collateral in full satisfaction and discharge of their Claims. A Holder who receives Cash or collateral in exchange for its Claim pursuant to the Plan generally will recognize income, gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (a) the amount of Cash (or the value of any collateral) received in exchange for its Claim 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.

(iii) Consequences to Holders of Class 6B Claims

Pursuant to the Plan, each Class 6B General Unsecured Claim will be cancelled and discharged without distribution. A Holder of such a Claim may be entitled in the year of cancellation (or in an earlier year) to a bad debt deduction in some amount under section 166(a) of the Tax Code to the extent of such Holder's tax basis in the General Unsecured Claim. The rules governing the timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the Holder, the obligor, and the instrument with respect to which a deduction is claimed. Holders of Class 6B General Unsecured Claims therefore are urged to consult their own tax advisors with respect to their ability to take such a deduction.

(iv) Consequences to Holders of Class 4 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each Holder of an Allowed Class 4 First Lien Secured Claim will receive its pro rata share of the New First Lien Term Loan, the New Junior Term Loan and 95% of the New Common Stock issued on the Effective Date (subject to dilution on account of the Management Equity Incentive Program). As discussed above, the U.S. federal income tax consequences of the Plan to such Holders of Claims will depend, in part, on whether the Claims surrendered and/or the assets received constitute "securities" for U.S. federal income tax purposes. A Holder of Claims constituting "securities" for U.S. federal income tax purposes that receives stock or securities in a G Reorganization will not recognize gain on such exchange except to the extent any consideration received does not constitute stock or "securities" for U.S. federal income tax purposes. In that event, any gain on the exchange, measured generally by the excess of the amount realized by any such Holder over the Holder's tax basis in such Claim, will be recognized by the Holder, but in an amount not exceeding the fair market value of the consideration received that does not constitute stock or securities. Any gain so recognized will generally be capital gain provided that the Claim was held as a capital asset by the Holder at the time of the exchange. The First Lien Secured Claims had an initial term of approximately six years. The Debtors expect to take the position that the First Lien Secured Claims are

"securities" for U.S. federal income tax purposes. The New First Lien Term Loan has an initial term of five years, and the New Junior Term Loan has an initial term of six years. The Debtors expect to take the position that the New First Lien Term Loan is not a "security" for U.S. federal income tax purposes and that the New Junior Term Loan is a "security" for U.S. federal income tax purposes.

Accordingly, each Holder of an Allowed Class 4 First Lien Secured Claim that receives its pro rata share of the New First Lien Term Loan, New Junior Term Loan and New Common Stock should not recognize any gain or loss on the exchange, except (a) to the extent of the lesser of (1) any gain realized on the exchange and (2) the issue price of the pro rata share of the New First Lien Term Loan received by such Holder and (b) that a Holder of an Allowed Class 4 First Lien Secured Claim may recognize ordinary income to the extent that any portion of the New First Lien Term Loan, New Junior Term Loan or New Common Stock is treated as received in satisfaction of accrued but untaxed interest on an Allowed Class 4 First Lien Secured Claim. See the discussion of "accrued interest" below for further information. Such Holder should obtain a tax basis in the pro rata shares of the New Junior Term Loan and New Common Stock equal to the tax basis of the Allowed Class 4 First Lien Secured Claim surrendered, increased by any gain recognized on the exchange, as discussed above, and decreased by the pro rata portion of issue price of the New First Lien Term Loan received, and should have a holding period for the pro rata shares of the New Junior Term Loan and New Common Stock that includes the holding period for the Allowed Class 4 First Lien Secured Claim; provided, however, that the tax basis of any pro rata share of the New Junior Term Loan or New Common Stock (or portion thereof) treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for such pro rata share of the New Junior Term Loan and New Common Stock should not include the holding period of the Allowed Class 4 First Lien Secured Claim. Such Holder should obtain a tax basis in the pro rata share of the New First Lien Term Loan equal to the issue price of the pro rata share of the New First Lien Term Loan received and the holding period for such pro rata share of the New First Lien Term Loan should begin on the day following the Effective Date.

A Holder of an Allowed Class 4 First Lien Secured Claim may be able to apply the installment method of accounting under section 453 of the Tax Code to any gain recognized on the exchange of its Allowed Class 4 First Lien Secured Claim for its pro rata shares of the New First Lien Term Loan, the New Junior Term Loan and the New Common Stock, assuming the general requirements of section 453 of the Tax Code are met. Holders are urged to consult their tax advisors regarding the possible application of the installment method with respect to their Claims.

The tax consequences of the Plan to the Holders of Class 4 Claims are highly uncertain. Holders of Class 4 Claims should consult their tax advisors regarding whether such Claims, the New First Lien Term Loan or New Junior Term Loan should be treated as "securities" for U.S. federal income tax purposes.

(v) Consequences to Holders of Class 5 Claims

Pursuant to the Plan, in full satisfaction and discharge of their Claims, each Holder of an Allowed Class 5 Second Lien Note Claim will receive its pro rata share of 5% of the New Common Stock issued on the Effective Date (subject to dilution on account of the Management Equity Incentive Program). As discussed above, the U.S. federal income tax consequences of the Plan to such Holders of Claims will depend, in part, on whether the Claims surrendered and/or the assets received constitute "securities" for U.S. federal income tax purposes. The Second Lien Note Purchase Claims had an initial term of approximately seven years. The Debtors expect to take the position that the Second Lien Note Claims are "securities" for U.S. federal income tax purposes.

Accordingly, the exchange of Allowed Class Second Lien Note Claims for New Common Stock pursuant to the Plan should be treated as a tax-free reorganization because such Holders are exchanging securities for stock as part of a G Reorganization (discussed above). In such case, each Holder of an Allowed Class Second Lien Note Claim that receives a pro rata share of the New Common Stock should not recognize any gain or loss on the exchange, except that a Holder of an Allowed Class Second Lien Note Claim may recognize ordinary income to the extent that any pro rata share of the New Common Stock is treated as received in satisfaction of accrued but untaxed interest on such Allowed Class Second Lien Note Claim. See the discussion of "accrued interest" below for further information. Such Holder should obtain a tax basis in the pro rata share of the New Common Stock equal to the tax basis of the Allowed Class 5 Second Lien Note Claim surrendered for such pro rata share of the New Common Stock and should have a holding period for the pro rata share of the New Common Stock that includes the holding period for the Allowed Class 5 Second Lien Note Claim exchanged for the pro rata share of the New Common Stock; provided, however, that the tax basis of any pro rata share of the New Common Stock (or portion thereof) treated as received in satisfaction of accrued interest should equal the amount of such accrued interest, and the holding period for such pro rata share of the New Common Stock should not include the holding period of the Allowed Class 5 Second Lien Note Claim exchanged for the pro rata share of the New Common Stock.

The tax consequences of the Plan to the Holders of Class 5 Claims are highly uncertain. Holders of Class 5 Claims should consult their tax advisors regarding whether such Claims should be treated as "securities" for U.S. federal income tax purposes.

(vi) Consequences to Holders of Class 7 Claims

Pursuant to the Plan, each Class 7 AIH Note Claim will be cancelled and discharged without distribution. A Holder of such a Claim may be entitled in the year of cancellation (or in an earlier year) to a bad debt deduction in some amount under section 166(a) of the Tax Code to the extent of such Holder's tax basis in the AIH Note Claim. The rules governing the timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the Holder, the obligor, and the instrument with respect to which a deduction is claimed. Holders of Class 7 AIH Note Claims therefore are urged to consult their own tax advisors with respect to their ability to take such a deduction.

(vii) Consequences to Holders of Class 10 Claims

As noted above, although not free from doubt, the Debtors anticipate that the deemed transfer of assets to a new corporation (which will become the Reorganized AIH) followed by the distribution of New Common Stock pursuant to the Plan will more likely than not qualify as a "G" reorganization, in which case Orchard Brands, the sole Holder of Interests in AIH, would not recognize gain or loss.

(viii) Accrued Interest

To the extent that any amount received by a Holder of a Claim is attributable to accrued but unpaid interest on the debt instruments constituting the surrendered Claim, the receipt of such amount should be taxable to the Holder as ordinary interest income (to the extent not already taken into income by the Holder). Conversely, a Holder of a Claim may be able to recognize a deductible loss (or, possibly, a write off against a reserve for worthless debts) to the extent that any accrued interest was previously included in the Holder's gross income but was not paid in full by the Debtors. Such loss may be ordinary, but the tax law is unclear on this point.

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 of reorganization is binding for U.S. federal income tax purposes, while certain Regulations treat payments as allocated first to any accrued but unpaid interest. The IRS 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.

(ix) Market Discount

Under the "market discount" provisions of the Tax Code, some or all of any gain realized by a Holder of a Claim who exchanges the Claim for an amount on the Effective Date 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, 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 a Claim that had been acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while such Claim was considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued). To the extent that the Allowed Claims that were acquired with market discount are exchanged in a tax-free transaction for other property, any market discount that accrued on the Allowed Claims (i.e., up to the time of the exchange) but was not recognized by the Holder is carried over to the property received therefor and any gain recognized on the subsequent sale, exchange, redemption or other disposition of such property is treated as ordinary income to the extent of such accrued, but not recognized, market discount.

(x) Limitation on Use of Capital Losses

A Holder of a Claim who recognizes capital losses as a result of the distributions under the Plan will be subject to limits on the use of such capital losses. For a non-corporate Holder, capital losses may be used to offset any capital gains (without regard to holding periods), and also ordinary income to the extent of the lesser of (a) $3,000 ($1,500 for married individuals filing separate returns) or (b) the excess of the capital losses over the capital gains. A non-corporate Holder may carry over unused capital losses and apply them against future capital gains and a portion of their ordinary income for an unlimited number of years. For corporate Holders, capital losses may only be used to offset capital gains. A corporate Holder that has more capital losses than may be used in a tax year may carry back unused capital losses to the three years preceding the capital loss year or may carry over unused capital losses for the five years following the capital loss year.

(xi) Original Issue Discount on the New First Lien Term Loan and New Junior Term Loan

A Holder of pro rata shares of the New First Lien Term Loan and New Junior Term Loan will be required to include stated interest on such shares of the New First Lien Term Loan and New Junior Term

Loan in income in accordance with the Holder's regular method of accounting to the extent such stated interest is "qualified stated interest." Stated interest is "qualified stated interest" if it is payable in cash at least annually. Where stated interest payable on the pro rata shares of the New First Lien Term Loan and New Junior Term Loan is not payable at least annually (the "deferred" interest), such portion of the stated interest will be included in the determination of the original issue discount ("***OID***") on such pro rata shares of the loans (as set forth below).

A debt instrument generally has OID if its "stated redemption price at maturity" exceeds its "issue price" (which, if neither the New First Lien Term Loan nor New Junior Term Loan are "publicly traded" for U.S. federal income tax purposes, will equal the pro rata share of the stated principal amounts of each of such loans, or if any is publicly traded, will equal the pro rata share of the fair market value of such loans (as of the date they are distributed to the Holder)) by more than a de minimis amount. A debt instrument's stated redemption price at maturity includes all principal and interest payable over the term of the debt instrument, other than qualified stated interest. Thus, the deferred portion (if any) of the stated interest payments on pro rata shares of the New First Lien Term Loan and New Junior Term Loan will be included in the stated redemption price at maturity and taxed as part of OID.

A Holder of pro rata shares of the New First Lien Term Loan and New Junior Term Loan that are issued with OID generally will be required to include any OID in income over the term of such shares of the loans in accordance with a constant yield-to-maturity method, regardless of whether the Holder is a cash or accrual method taxpayer, and regardless of whether and when the Holder receives cash payments of interest on such shares of the New First Lien Term Loan and New Junior Term Loan (other than cash attributable to qualified stated interest). Accordingly, a Holder could be treated as receiving income in advance of a corresponding receipt of cash. Any OID that a Holder includes in income will increase the tax basis of the Holder in the pro rata shares of the New First Lien Term Loan and New Junior Term Loan. A Holder of pro rata shares of the New First Lien Term Loan and New Junior Term Loan will not be separately taxable on any cash payments that have already been taxed under the OID rules, but will reduce its tax basis in the pro rata shares of such loans by the amount of such payments.

The tax consequences of OID are highly uncertain. Holders of pro rata shares of the New First Lien Term Loan and New Junior Term Loan should consult their tax advisors regarding the tax consequences of any OID on such loans.

(xii) Information Reporting and Back-up Withholding

Payments in respect of Allowed Claims under the Plan may be subject to applicable information reporting and backup withholding. Backup withholding of taxes will generally apply to Payments in respect of an Allowed Claim under the Plan if the Holder of such Allowed Claim fails to provide an accurate taxpayer identification number or otherwise fails to comply with the applicable requirements of the backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder's U.S. federal income tax liability, and a Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS (generally, a federal income tax return).

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTIONS

CONTEMPLATED BY THE PLAN, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

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XV. Recommendation

In the opinion of the Debtors, the Plan is preferable to all other available alternatives and provides for a larger distribution to the Debtors' creditors than would otherwise result in any other scenario. Accordingly, the Debtors recommend that Holders of Claims entitled to vote on the Plan vote to accept the Plan and support Confirmation of the Plan.

Dated: January 19, 2011

Respectfully submitted,

APPLESEED'S INTERMEDIATE
HOLDINGS LLC,
on behalf of itself and each of the other Debtors

By: */s/ T. Neale Attenborough*
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Title: Chief Executive Officer

COUNSEL:

/s/ Domenic E. Pacitti

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Exhibit A

Plan of Reorganization

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al*.,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

JOINT PLAN OF REORGANIZATION OF APPLESEED'S INTERMEDIATE HOLDINGS LLC AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

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Proposed Co-Counsel to the Debtors and Debtors in Possession

Dated: January 19, 2011

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

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INTRODUCTION

Appleseed's Intermediate Holdings LLC ("***AIH***") d/b/a Orchard Brands and its debtor affiliates, as debtors and debtors in possession (each, a "***Debtor***" and, collectively, the "***Debtors***"), propose this joint plan of reorganization (the "***Plan***") for the resolution of the Claims (as such term is defined below) against and Interests (as such term is defined below) in each of the Debtors pursuant to chapter 11 of the Bankruptcy Code (as such term is defined below). Capitalized terms used in the Plan and not otherwise defined shall have the meanings ascribed to such terms in Article I.A.

Holders of Claims and Interests (as such terms are defined below) should refer to the Disclosure Statement (as such term is defined below) for a discussion of the Debtors' history, businesses, assets, results of operations, historical financial information and projections of future operations, as well as a summary and description of this Plan.

ARTICLE I.
DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW

A. Defined Terms.

As used in this Plan, capitalized terms have the meanings ascribed to them below.

1. "*ABL Administrative Agent*" means UBS AG, Stamford Branch, in its capacity as administrative agent under the ABL Credit Agreement.

2. "*ABL Agents*" means, collectively, the ABL Administrative Agent, the ABL Arranger, the ABL Co-Collateral Agents, the ABL Issuing Bank and the ABL Swingline Lender.

3. "*ABL Arranger*" means UBS Securities LLC, in its capacity as joint lead arranger and joint book runner under the ABL Credit Agreement.

4. "*ABL Claim*" means any Claim derived from, based upon, relating to or arising from the ABL Credit Agreement.

5. "*ABL Co-Collateral Agents*" means UBS AG, Stamford Branch and Wells Fargo Bank, N.A., in their respective capacity as collateral agent or co-collateral agent under the ABL Credit Agreement.

6. "*ABL Credit Agreement*" means the Credit Agreement, dated as of April 30, 2007, among Blair Corporation, Haband Company, Inc., Johnny Appleseed's, Inc., Norm Thompson Outfitters, Inc. and Draper's & Damon's, Inc., as borrowers, each of the other Debtors, as guarantors, the ABL Lenders, the ABL Administrative Agent, the ABL Co-Collateral Agents, the ABL Issuing Bank, the ABL Swingline Lender, American Capital Strategies, Ltd. and UBS Securities LLC, as joint lead arrangers and joint bookrunners, and American Capital Financial Services, Inc., as syndication agent, and any guarantees, security documents and other documents related thereto (as amended, restated, supplemented or otherwise modified from time to time).

7. "*ABL Issuing Bank*" means UBS AG, Stamford Branch, in its capacity as issuing bank under the ABL Credit Agreement.

8. "*ABL Lenders*" means the institutions party from time to time as "Lenders" under the ABL Credit Agreement.

9. "*ABL Swingline Lender*" means UBS Loan Finance LLC, in its capacity as swingline lender under the ABL Credit Agreement.

10. "*Accrued Professional Compensation*" means, at any given time, all accrued, contingent and/or unpaid fees and expenses (including success fees) for legal, financial advisory, accounting and other services and reimbursement of expenses that are awardable and allowable under sections 328, 330 or 331 of the Bankruptcy Code or otherwise rendered allowable before the Effective Date by any retained Professional in the Chapter 11 Cases, or that are awardable and allowable under section 503 of the Bankruptcy Code, that the Bankruptcy Court has not denied by Final Order, in each case subject the terms of the DIP Order (a) all to the extent that any such fees and expenses have not been previously paid (regardless of whether a fee application has been Filed for any such amount) and (b) after applying any retainer that has been provided to such Professional. To the extent that the Bankruptcy Court or any higher court of competent jurisdiction denies or reduces by a Final Order any amount of a Professional's fees or expenses, then those reduced or denied amounts shall no longer constitute Accrued Professional Compensation.

11. "*Ad Hoc Group of First Lien Lenders*" refers to certain funds managed by Ableco Finance LLC, Highland Capital Management LP and Canyon Capital Advisors LLC, solely in their respective capacities as Holders of First Lien Claims.

12. "*Administrative Claim*" means any Claim for costs and expenses of administration pursuant to sections 503(b), 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries or commissions for services and payments for goods and other services and leased premises); (b) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of the Judicial Code; (c) all Claims of the ABL Agents, the ABL Lenders, the DIP Facility Tranche A Agents, the DIP Facility Tranche A Lenders, the DIP Facility Tranche B Agents and the DIP Facility Tranche B Lenders under or granted under the DIP Order; and (d) all requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4) and (5) of the Bankruptcy Code.

13. "*Affiliate*" has the meaning set forth in section 101(2) of the Bankruptcy Code.

14. "*AIH*" means Appleseed's Intermediate Holdings LLC, the direct or indirect parent of each of the other Debtors.

15. "*AIH Note Agent*" means American Capital Financial Services, Ltd. (successor by merger to American Capital Financial Services, Inc.), in its capacity as administrative agent under the AIH Note Purchase Agreement.

16. "*AIH Note Claims*" means any Claim derived from, based upon, relating to or arising from the AIH Note Purchase Agreement.

17. "*AIH Note Purchasers*" means the institutions party from time to time as "Purchasers" under the AIH Note Purchase Agreement.

18. "*AIH Note Purchase Agreement*" means the Note Purchase Agreement, dated as of July 12, 2007, by and among AIH, as issuer, the AIH Note Purchasers, the AIH Note Agent and American Capital Strategies, Ltd., as sole lead arranger and bookrunner, and any other documents related thereto (as amended, restated, supplemented or otherwise modified from time to time).

19. "*Allowed*" means with respect to any Claim, except as otherwise provided herein: (a) a Claim that is scheduled by the Debtors as neither disputed, contingent nor unliquidated; (b) a Claim that either is not a Disputed Claim or has been allowed by a Final Order; (c) a Claim that is allowed (i) pursuant to the terms of the Plan, (ii) in any stipulation that is approved by the Bankruptcy Court or (iii) pursuant to any contract, instrument, indenture or other agreement entered into or assumed in connection herewith; (d) a Claim relating to a rejected Executory Contract or Unexpired Lease that either (i) is not a Disputed Claim or (ii) has been allowed by a Final Order; or (e) a Claim as to which a Proof of Claim has been timely Filed and as to which no objection has been Filed by the Claims Objection Deadline. Except for any Claim that is expressly Allowed herein, any Claim that has been

or is hereafter listed in the Schedules as contingent, unliquidated or disputed and for which no Proof of Claim has been Filed is not considered Allowed and shall be deemed expunged upon entry of the Confirmation Order.

20. "*Assumed Executory Contract and Unexpired Lease List*" means the list (as may be amended), as determined by the Debtors or the Reorganized Debtors, of Executory Contracts and Unexpired Leases (including any amendments or modifications thereto) that will be assumed by the Reorganized Debtors pursuant to the provisions of Article V and which shall be included in the Plan Supplement.

21. "*Bankruptcy Code*" means chapter 11 of title 11 of the United States Code.

22. "*Bankruptcy Court*" means the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 11 Cases or any other court having jurisdiction over the Chapter 11 Cases, including, to the extent of the withdrawal of the reference under 28 U.S.C. § 157, the United States District Court for the District of Delaware.

23. "*Bankruptcy Rules*" means the Federal Rules of Bankruptcy Procedure promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

24. "*Business Day*" means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)(6)).

25. "*Cash*" means the legal tender of the United States of America.

26. "*Causes of Action*" means any action, claim, cause of action, controversy, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license and franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law. Causes of Action also include: (a) any right of setoff, counterclaim or recoupment and any claim for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to sections 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury and any other defenses set forth in section 558 of the Bankruptcy Code; and (e) any state law fraudulent transfer claim.

27. "*Chapter 11 Cases*" means (a) when used with reference to a particular Debtor, the case pending for that Debtor under chapter 11 of the Bankruptcy Code and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court under case number 11-_____ ( ).

28. "*Claim*" means any claim, as such term is defined in section 101(5) of the Bankruptcy Code, against a Debtor.

29. "*Claims Bar Date*" means the date or dates to be established by the Bankruptcy Court by which Proofs of Claim must be Filed.

30. "*Claims Objection Deadline*" means, for each Claim, (a) 75 days after the Effective Date or (b) such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court for objecting to certain Claims.

31. "*Claims Register*" means the official register of Claims maintained by Kurtzman Carson Consultants LLC, retained as the Debtors' notice, claims and solicitation agent.

32. "*Class*" means a class of Claims or Interests as set forth in Article III pursuant to section 1122(a) of the Bankruptcy Code.

33. "*Confirmation*" means the entry of the Confirmation Order on the docket of the Chapter 11 Cases, subject to all conditions specified in Article IX.A having been satisfied or waived pursuant to Article IX.C.

34. "*Confirmation Date*" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

35. "*Confirmation Hearing*" means the confirmation hearing held by the Bankruptcy Court pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

36. "*Confirmation Order*" means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

37. "*Consenting First Lien Lenders*" means the Holders of First Lien Claims that are party to the Plan Support Agreement.

38. "*Consummation*" means the occurrence of the Effective Date.

39. "*Creditors' Committee*" means the statutory committee of unsecured creditors appointed by the U.S. Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as such committee membership may be amended by the U.S. Trustee from time to time.

40. "*Cure Claim*" means a Claim based upon a Debtor's default under an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtor pursuant to section 365 of the Bankruptcy Code.

41. "*Cure Notice*" means a notice of a proposed amount to be paid on account of a Cure Claim in connection with an Executory Contract or Unexpired Lease to be assumed under the Plan pursuant to section 365 of the Bankruptcy Code, which notice shall include (a) procedures for objecting to proposed assumptions of Executory Contracts and Unexpired Leases, (b) Cure Claims to be paid in connection therewith and (c) procedures for resolution by the Bankruptcy Court of any related disputes.

42. "*D&O Liability Insurance Policies*" means all insurance policies for directors', managers' and officers' liability maintained by the Debtors as of the Petition Date, including the fiduciary liability coverage (executive risk) provided through Chartis Specialty Insurance Company, which provides coverage from June 1, 2010 through June 1, 2011 (Policy No. 01-880-05-84).

43. "*Debtor*" means one or more of the Debtors, as debtors and debtors in possession, each in its respective individual capacity as a debtor and debtor in possession in the Chapter 11 Cases.

44. "*Debtors*" means, collectively: (a) AIH; (b) Appleseed's Acquisition, Inc.; (c) Appleseed's Holdings, Inc.; (d) Arizona Mail Order Company, Inc.; (e) Bedford Fair Apparel, Inc.; (f) Blair Credit Services Corporation; (g) Blair Factoring Company; (h) Blair Holdings, Inc.; (i) Blair International Holdings, Inc.; (j) Blair LLC; (k) Blair Payroll, LLC; (l) Draper's & Damon's Acquisition LLC; (m) Draper's & Damon's LLC; (n) Fairview Advertising, LLC; (o) Gold Violin LLC; (p) Haband Acquisition LLC; (q) Haband Company LLC; (r) Haband Oaks, LP; (s) Haband Online, LLC; (t) Haband Operations, LLC; (u) Johnny Appleseed's, Inc.; (v) Linen Source Acquisition LLC; (w) LM&B Catalog, Inc.; (x) Monterey Bay Clothing Company, Inc.; (y) Norm Thompson Outfitters, Inc.; (z) NTO Acquisition Corporation; (aa) Orchard Brands Insurance Agency LLC; and (bb) Wintersilks, LLC.

45. "*DIP Facility Arranger*" means UBS Securities LLC, in its capacity as sole lead arranger and sole bookrunner under the DIP Facility Credit Agreement, together with its successors and assigns in such capacity.

46. "*DIP Facility Co-Collateral Agents*" means UBS AG, Stamford Branch and Wells Fargo Bank, N.A., in their respective capacity as collateral agent or co-collateral agent under the DIP Facility Credit Agreement, together with their respective successors and assigns in such capacity.

47. "*DIP Facility Credit Agreement*" means the agreement governing the 140 million senior secured super-priority debtor in possession credit facility, dated as of January 19, 2011 among the Debtors, the DIP Facility Tranche A Administrative Agent, the DIP Facility Tranche A Lenders, the DIP Facility Arranger, the DIP Facility Issuing Bank, the DIP Facility Swingline Lender, the DIP Facility Co-Collateral Agents, the DIP Facility Tranche B Agents and the DIP Facility Tranche B Lenders (as amended, restated, supplemented or otherwise modified from time to time).

48. "*DIP Facility Issuing Bank*" means UBS AG, Stamford Branch, in its capacity as issuing bank under the DIP Facility Credit Agreement, together with its successors and assigns in such capacity.

49. "*DIP Facility Swingline Lender*" means UBS Loan Finance LLC, in its capacity as swingline lender under the DIP Facility Credit Agreement, together with its successors and assigns in such capacity.

50. "*DIP Facility Tranche A*" means the debtor in possession asset-based revolving credit facility with committed availability up to $100 million under the DIP Facility Credit Agreement.

51. "*DIP Facility Tranche A Administrative Agent*" means UBS AG, Stamford Branch, in its capacity as the administrative agent for the DIP Facility Tranche A under the DIP Facility Credit Agreement, together with its successor and assigns in such capacity.

52. "*DIP Facility Tranche A Agents*" means, collectively, the DIP Facility Arranger, the DIP Facility Co-Collateral Agents, the DIP Facility Issuing Bank, the DIP Facility Swingline Lender and the DIP Facility Tranche A Administrative Agent.

53. "*DIP Facility Tranche A Claim*" means any Claim derived from, based upon, relating to or arising from the DIP Facility Tranche A under the DIP Facility Credit Agreement, including any Claims on account of issued and undrawn letters of credit.

54. "*DIP Facility Tranche A Lender*" means the institutions party from time to time as "Lenders" for the DIP Facility Tranche A under the DIP Facility Credit Agreement.

55. "*DIP Facility Tranche B*" means the debtor in possession term loan in the aggregate principal amount of $40 million under the DIP Facility Credit Agreement.

56. "*DIP Facility Tranche B Administrative Agent*" means Ableco Finance LLC, in its capacity as the administrative agent for the DIP Facility Tranche B under the DIP Facility Credit Agreement, together with its successor and assigns in such capacity.

57. "*DIP Facility Tranche B Agents*" means the DIP Facility Tranche B Administrative Agent and the DIP Facility Tranche B Disbursement Agent.

58. "*DIP Facility Tranche B Disbursement Agent*" means American Capital, Ltd., in its capacity as the disbursement agent for the DIP Facility Tranche B under the DIP Facility Credit Agreement, together with its successor and assigns in such capacity.

59. "*DIP Facility Tranche B Lender*" means the institutions party from time to time as "Lenders" for the DIP Facility Tranche B under the DIP Facility Credit Agreement.

60. "*DIP Facility Tranche B Claim*" means any Claim derived from, based upon, relating to or arising from the DIP Facility Tranche B.

61. "*DIP Order*" means any interim order (or orders) and the final order of the Bankruptcy Court, each in form and substance reasonably acceptable to the DIP Facility Tranche A Administrative Agent and the DIP Facility Tranche B Agents, authorizing, *inter alia*, the Debtors to enter into the DIP Facility Credit Agreement and incur postpetition obligations thereunder.

62. "*Disbursing Agent*" means the Reorganized Debtors or the Entity or Entities selected by the Debtors or Reorganized Debtors and identified in the Plan Supplement, as applicable, to make or facilitate distributions contemplated under the Plan.

63. "*Disclosure Statement*" means the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, dated January 19, 2011, as amended, supplemented or modified from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, and that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and any other applicable law.

64. *"Disputed"* means, with respect to any Claim or Interest, any Claim or Interest that is (a) disputed under the Plan, or subject, or potentially subject, to a timely objection and/or request for estimation in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order, (b) improperly asserted, by the untimely or otherwise improper filing of a Proof of Claim as required by order of the Bankruptcy Court or (c) that is disallowed pursuant to section 502(d) of the Bankruptcy Code. A Claim or Administrative Claim that is Disputed as to its amount shall not be Allowed in any amount for purposes of distribution until it is no longer a Disputed Claim.

65. *"Distribution Date"* means, with respect to a Claim that is Allowed as of the Effective Date, the date that is as soon as practicable after the Effective Date, but no later than ten days after the Effective Date.

66. *"Distribution Record Date"* means the date that the Confirmation Order is entered by the Bankruptcy Court.

67. *"Effective Date"* means the date selected by the Debtors that is a Business Day after the Confirmation Date on which (a) the conditions to the occurrence of the Effective Date have been met or waived pursuant to Article IX.B and Article IX.C and (b) no stay of the Confirmation Order is in effect. Unless otherwise specifically provided in the Plan, anything required to be done by the Debtors or the Reorganized Debtors, as applicable, on the Effective Date shall be done on the Effective Date.

68. *"Entity"* means an entity as such term is defined in section 101(15) of the Bankruptcy Code.

69. *"Estate"* means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

70. *"Exculpated Claim"* means any Claim related to any act or omission derived from, based upon, related to or arising from the Debtors' in or out-of-court restructuring efforts, the Chapter 11 Cases, formulation, preparation, dissemination, negotiation or filing of the Disclosure Statement, the Plan (including any term sheets related thereto) or any contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement, the Plan, the filing of the Chapter 11 Cases, the pursuit of Consummation and the administration and implementation of the Plan, including (a) the Plan Support Agreement; (b) the issuance of the New Common Stock, (c) the execution, delivery and performance of the New Loan Documents and (d) the distribution of property under the Plan or any other agreement.

71. "*Exculpated Party*" means each of: (a) the Debtors and the Reorganized Debtors; (b) the DIP Facility Tranche A Agents and DIP Facility Tranche A Lenders; (c) the DIP Facility Tranche B Agents and DIP Facility Tranche B Lenders (d) the ABL Agents and the ABL Lenders; (e) the First Lien Agent and the First Lien Lenders; (f) the Second Lien Note Agent and the Second Lien Note Purchasers; (g) the AIH Note Agent and AIH Note Purchasers; (h) with respect to each of the foregoing entities in clauses (b) through (g), such Entities' predecessors, successors and assigns subsidiaries, Affiliates, managed accounts or funds, current and former officers, directors, principals, members, partners, shareholders employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, advisory board members and other professionals, and such Persons' respective heirs, executors, estates, servants and nominees; and (i) the Debtors' and the Reorganized Debtors' subsidiaries, current and former officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants,

representatives, management companies, fund advisors and other Professionals, and such Persons' respective heirs, executors, estates, servants and nominees.

72. "*Existing Benefits Agreements*" means the employment, retirement, indemnification and other similar or related agreements or arrangements in existence as of the Petition Date that have been included in the Plan Supplement pursuant to Article IV.N.

73. "*Executory Contract"* means a contract to which one or more of the Debtors is a party and that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

74. "*Federal Judgment Rate"* means [___]%, the federal judgment rate in effect as of the Petition Date.

75. "*Fee Claim"* means a Claim for Accrued Professional Compensation.

76. "*Fee Claims Escrow Account"* means the account established pursuant to Article IV.Q.

77. "*File," "Filed"* or "*Filing"* means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

78. "*Final Order"* means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment could be appealed or from which certiorari could be sought or the new trial, reargument or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

79. "*First Lien Agent"* means Wilmington Trust FSB in its capacity as successor administrative agent under the First Lien Credit Agreement.

80. "*First Lien Claim"* means any Claim derived from, based upon, relating to or arising from the First Lien Credit Agreement.

81. "*First Lien Credit Agreement*" means the certain Credit Agreement, dated as of April 30, 2007, among Blair Corporation, Haband Company, Inc., Johnny Appleseed's, Inc., Norm Thompson Outfitters, Inc. and Draper's & Damon's, Inc., as borrowers, each of the other Debtors, as guarantors, the First Lien Lenders, the First Lien Agent, American Capital Strategies, Ltd. and UBS Securities LLC, as joint lead arrangers and joint bookrunners and American Capital Financial Services, Inc., as syndication agent, and any guarantees, security documents and other documents in connection therewith (as amended, restated, supplemented or otherwise modified from time to time).

82. "*First Lien Lenders"* means the institutions party from time to time as "Lenders" under the First Lien Credit Agreement.

83. "*First Lien Secured Claim"* means any Secured Claim derived from, based upon, relating to or arising from the First Lien Credit Agreement.

84. "*First Lien Deficiency Claim"* means any Claim derived from, based upon, relating to or arising from the First Lien Credit Agreement, other than a First Lien Secured Claim.

85. "*General Unsecured Claim"* means any Unsecured Claim, including First Lien Deficiency Claims and Second Lien Note Deficiency Claims, that is not (a) a Qualified Unsecured Trade Claim, (b) an AIH Note Claim or (c) an Intercompany Claim.

86. "*Governmental Unit*" means a governmental unit as defined in section 101(27) of the Bankruptcy Code.

87. "*Holder*" means an Entity holding a Claim or an Interest.

88. "*Impaired*" means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is impaired within the meaning of section 1124 of the Bankruptcy Code.

89. "*Intercompany Claim*" means any Claim held by a Debtor against another Debtor.

90. "*Interim Compensation Order*" means the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals* [Docket No. ###].

91. "*Intercompany Interest*" means an Interest in a Debtor held by another Debtor.

92. "*Intercreditor Agreement*" means the Intercreditor Agreement, dated as of April 30, 2007, by and among the ABL Administrative Agent, the First Lien Agent and the Second Lien Agent (as amended, restated, supplemented or otherwise modified from time to time).

93. "*Interests*" means any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code, including all issued, unissued, authorized or outstanding shares of capital stock of the Debtors together with any warrants, options or contractual rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto.

94. "*Judicial Code*" means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.

95. "*Lien*" *me*ans a lien as defined in section 101(37) of the Bankruptcy Code.

96. "*Management Equity Incentive Program*" means that certain post-Effective Date equity incentive program, which shall consist of restricted stock units, stock options, stock appreciation rights and/or similar rights and interests, with 10% of the New Common Stock issued on the Effective Date reserved for such program.

97. "*New ABL Facility*" means a committed asset-based revolving credit facility in a face amount of no less than $80 million (including $30 million available in letters of credit) that will be entered into by the Reorganized Debtors on the Effective Date pursuant to the New ABL Facility Credit Agreement.

98. "*New ABL Facility Credit Agreement*" means the loan agreement, dated as of the Effective Date, which will govern the New ABL Facility, the form of which shall be included in the Plan Supplement.

99. "*New AIH Board*" means the initial board of directors of Reorganized AIH.

100. "*New Boards*" mean, collectively, the New AIH Board and the New Subsidiary Boards.

101. "*New By-Laws*" means the form of the by-laws of each of Reorganized AIH and the Reorganized Debtors, which forms shall be included in the Plan Supplement.

102. "*New Certificates of Incorporation*" means the form of the certificates of incorporation of Reorganized AIH and the Reorganized Debtors, which forms shall be included in the Plan Supplement.

103. "*New Common Stock*" means a certain number of common shares in the capital of Reorganized AIH authorized pursuant to the Plan, of which up to 200 million shares shall be initially issued and outstanding as of the Effective Date. Such shares shall consist of (a) a class of full-voting shares having economic rights as set forth in the New Certificate of Incorporation of Reorganized AIH and the New Stockholders Agreement (the "***Class A Common Stock***") and (b) a class of limited-voting shares having economic rights as set forth in the New Certificate of Incorporation of Reorganized AIH and the New Stockholders Agreement (the "***Class B Common Stock***").

104. "*New Employment Agreements*" means the employment agreements, if any, between Reorganized AIH and members of the Debtors' management team with any such agreements to be included in the Plan Supplement as provided in Article I.A.122.

105. "*New First Lien Term Loan*" means a first priority senior secured term loan in the amount of $200 million pursuant to the New First Lien Term Loan Credit Agreement.

106. "*New First Lien Term Loan Credit Agreement*" means the loan agreement, to be dated as of the Effective Date that will govern the New First Lien Term Loan, the form of which shall be included in the Plan Supplement.

107. "*New Intercreditor Agreement*" means the intercreditor agreement, dated as of the Effective Date, governing the New ABL Facility Credit Agreement, the New Senior Term Loan Credit Agreement, the New First Lien Term Loan Credit Agreement and the New Junior Term Loan Credit Agreement, the form of which shall be included in the Plan Supplement.

108. "*New Junior Term Loan*" means a second priority secured term loan in the amount of $43 million pursuant to the New Junior Term Loan Credit Agreement.

109. "*New Junior Term Loan Agreement*" means the loan agreement, to be dated as of the Effective Date that will govern the New Junior Term Loan, the form of which shall be included in the Plan Supplement.

110. "*New Loan Documents*" means, collectively, the New ABL Facility Credit Agreement, the New Senior Term Loan Credit Agreement, the New First Lien Term Loan Credit Agreement and the New Junior Term Loan Credit Agreement.

111. "*New Loans*" means, collectively, the New ABL Facility, the New Senior Term Loan, the New First Lien Term Loan and the New Junior Term Loan.

112. "*New Registration Rights Agreement*" means that certain agreement, by and among Reorganized AIH and the Holders of the New Common Stock, the form of which shall be included in the Plan Supplement.

113. "*New Senior Term Loan*" means a first priority secured term loan in the amount of $35 million (or $40 million to the extent the DIP Facility Tranche B is fully drawn as of the Effective Date) made pursuant to the New Senior Term Loan Credit Agreement.

114. "*New Senior Term Loan Credit Agreement*" means the loan agreement, to be dated as of the Effective Date that will govern the New Senior Term Loan, the form of which shall be included in the Plan Supplement.

115. "*New Stockholders Agreement*" means that certain agreement, by and among Reorganized AIH and the holders of the New Common Stock, the form of which shall be included in the Plan Supplement.

116. "*New Subsidiary Boards*" means, with respect to each of the Reorganized Debtors other than Reorganized AIH, the initial board of directors of each such Reorganized Debtor.

117. "*Ordinary Course Professional Order*" means the *Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business* [Docket No. ###].

118. "*Other Secured Claim*" means any Secured Claim that is not (a) an ABL Claim, (b) a First Lien Secured Claim, (c) a Second Lien Note Claim, (d) a DIP Facility Tranche A Claim or (e) a DIP Facility Tranche B Claim.

119. "*Person*" means a person as such term as defined in section 101(41) of the Bankruptcy Code.

120. "*Petition Date*" means January 19, 2011, the date on which each of the Debtors commenced the Chapter 11 Cases.

121. "*Plan*" means this *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, including the Plan Supplement (as modified, amended or supplemented from time to time), which is incorporated herein by reference.

122. "*Plan Supplement*" means the compilation of documents and forms of documents, schedules and exhibits to the Plan to be Filed by the Debtors no later than five days before the Voting Deadline on notice to parties in interest, and additional documents Filed before the Effective Date as supplements or amendments to the Plan Supplement, including the following: (a) the New By-Laws; (b) the New Certificates of Incorporation; (c) the Rejected Executory Contract and Unexpired Lease List (d) a list of retained Causes of Action, if any; (e) subject to the terms of Article IV.K, the Management Equity Incentive Program; (f) the New Stockholders Agreement; (g) the New Registration Rights Agreement; (h) the Assumed Executory Contract and Unexpired Lease List; (i) the Qualified Vendor Support Agreement; (j) the identification of any Disbursing Agent other than the Reorganized Debtors; (k) the New Intercreditor Agreement; (l) the New ABL Facility Credit Agreement; (m) the New Senior Term Loan Credit Agreement; (n) the New First Lien Term Loan Credit Agreement; (o) the New Junior Term Loan Credit Agreement; (p) the Existing Benefits Agreements, that have been consented to as provided in Article IV.N; and (q) the New Employment Agreements that have been consented to by each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims. Any reference to the Plan Supplement in this Plan shall include each of the documents identified above as (a) through (q). The Debtors shall have the right to amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date in accordance with Article IX.B hereof and the terms set forth herein relating to necessary consent.

123. "*Plan Support Agreement*" means the agreement, effective as of January 19, 2011, among the Debtors and (a) certain Holders of First Lien Claims holding more than 66 2/3% of the total First Lien Claims, (b) certain Holders of Second Lien Note Claims holding 100% of the total Second Lien Note Claims and (c) certain Holders of AIH Notes Claims holding 100% of the total AIH Note Claims, pursuant to which such Holders agreed (subject to certain conditions specified therein) to support, and vote in favor of, this Plan.

124. "*Priority Non-Tax Claims*" means any Claim, other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

125. "*Priority Tax Claim*" means any Claim of the kind specified in section 507(a)(8) of the Bankruptcy Code.

126. "*Professional*" means an Entity: (a) employed pursuant to a Bankruptcy Court order in accordance with sections 327, 363 or 1103 of the Bankruptcy Code and to be compensated for services rendered before or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, 331 and 363 of the Bankruptcy Code or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

127. "*Proof of Claim*" means a written proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

128. "*Pro Rata*" means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of all Allowed Claims in that Class.

129. "*Qualified Unsecured Trade Claims*" means all Unsecured Claims directly relating to and arising solely from the receipt of goods and services by the Debtors arising with, and held by, Entities with whom the Debtors are conducting, and will continue to conduct, business as of the Effective Date, which Entities have executed a Qualified Vendor Support Agreement; *provided, however*, that Qualified Unsecured Trade Claims shall not include Administrative Claims.

130. "*Qualified Vendor Support Agreement*" means the support agreement entered into by Holders of Qualified Unsecured Trade Claims and the applicable Reorganized Debtor on the Confirmation Date, the form of which will be included in the Plan Supplement, in which such Holder shall agree to provide payment terms no less advantageous (from the perspective of the Reorganized Debtor) than those terms provided as of the Petition Date for at least 18 months following the Effective Date.

131. "*Reinstated*" means, with respect to Claims and Interests, the treatment provided for in section 1124 of the Bankruptcy Code.

132. "*Rejected Executory Contract and Unexpired Lease List*" means the list (as may be amended), as determined by the Debtors or the Reorganized Debtors, of Executory Contracts and Unexpired Leases (including any amendments or modifications thereto) that will be rejected by the Reorganized Debtors pursuant to the provisions of Article V and which shall be included in the Plan Supplement.

133. "*Rejection Claim*" means a Claim arising from the rejection of an Executory Contract or Unexpired Lease pursuant to section 365 of the Bankruptcy Code.

134. "*Released Party*" means each of: (a) the Debtors and Reorganized Debtors; (b) the ABL Agents and the ABL Lenders; (c) the First Lien Agent and the First Lien Lenders; (d) the Second Lien Note Agent and the Second Lien Purchasers; (e) the Holders of the AIH Note Claims; (f) the AIH Note Agent; (g) the DIP Facility Tranche A Agents; (h) the DIP Facility Tranche A Lenders; (i) the DIP Facility Tranche B Agents; (j) the DIP Facility Tranche B Lenders; (k) with respect to each of the foregoing Entities in clauses (b) through (j), such Entities' predecessors, successors and assigns, subsidiaries, Affiliates, managed accounts or funds, current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals; and (l) the Debtors' and the Reorganized Debtors' subsidiaries, current and former officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals, and such Persons' respective heirs, executors, estates, servants and nominees.

135. "*Reorganized AIH*" means AIH, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date, it being understood that, as of the Effective Date, Reorganized AIH shall be a corporation organized under the laws of the state of Delaware.

136. "*Reorganized Debtors*" means the Debtors, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date.

137. "*Schedules*" means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code, as such schedules may be amended, modified or supplemented from time to time.

138. "*Second Lien Note Agent*" means American Capital, Ltd. (successor by merger to American Capital Financial Services, Inc.) in its capacity as administrative agent under the Second Lien Note Purchase Agreement.

139. "*Second Lien Note Claim*" means any Secured Claim derived from, based upon, relating to or arising from the Second Lien Note Purchase Agreement.

140. "*Second Lien Note Deficiency Claim*" means any Claim derived from, based upon, relating to or arising from the Second Lien Note Purchase Agreement, other than a Second Lien Note Claim.

141. "*Second Lien Note Purchasers*" means the institutions party from time to time as "Purchasers" under the Second Lien Note Purchase Agreement.

142. "*Second Lien Note Purchase Agreement*" means the Note Purchase Agreement, dated as of April 30, 2007, among Blair Corporation, Haband Company, Inc., Johnny Appleseed's, Inc., Norm Thompson Outfitters, Inc. and Draper's & Damon's, Inc., as issuers, each of the other Debtors, as guarantors, the Second Lien Note Purchasers, the Second Lien Note Agent and American Capital Strategies, Ltd. as sole lead arranger and bookrunner, and any guarantees, security documents and other documents related thereto (as amended, restated, supplemented or otherwise modified from time to time).

143. *"Secured"* means when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or (b) Allowed as such pursuant to the Plan.

144. "*Securities Act"* means the Securities Act of 1933, 15 U.S.C. §§ 77a-77aa, together with the rules and regulations promulgated thereunder.

145. *"Security"* means a security as defined in section 2(a)(1) of the Securities Act.

146. "*Unexpired Lease"* means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

147. "*Unsecured Claim"* means any Claim that is neither Secured nor entitled to priority under the Bankruptcy Code or an order of the Bankruptcy Court, including any Claim arising from the rejection of an Executory Contract or Unexpired Lease under section 365 of the Bankruptcy Code.

148. "*U.S. Trustee"* means the United States Trustee for the District of Delaware.

149. "*Voting Deadline*" means 4:00 p.m. (prevailing Eastern Time) on [_____, 2011].

B. Rules of Interpretation.

For purposes of this Plan: (1) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (2) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (3) any reference herein to an existing document, schedule or exhibit, whether or not Filed, having been Filed or to be Filed shall mean that document, schedule or exhibit, as it may thereafter be amended, modified or supplemented; (4) any reference to an Entity as a Holder of a Claim or Interest includes that Entity's successors and assigns; (5) unless otherwise specified, all references herein to "Articles" are references to Articles hereof or hereto; (6) unless otherwise specified, all references herein to exhibits are references to exhibits in the Plan Supplement; (7) unless otherwise specified, the words "herein," "hereof" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (8) subject to the provisions of any contract, certificate of incorporation, bylaw, instrument, release or other agreement or document entered into in connection with the Plan, the rights and obligations arising pursuant to the Plan shall be governed by, and construed and enforced in accordance with the applicable federal law, including the Bankruptcy Code and the Bankruptcy Rules; (9) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (10) unless otherwise specified herein, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (11) all references to docket numbers of documents Filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (12) all references to statutes, regulations, orders, rules of courts and the like shall mean as amended from time to time, and as applicable to the Chapter 11 Cases, unless otherwise stated; and (13) any immaterial effectuating provisions may be interpreted by the Reorganized Debtors in such a manner that is consistent with the overall purpose and intent of the Plan all without further Bankruptcy Court order.

C. Computation of Time.

Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

D. Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan, any agreements, documents, instruments or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); *provided*, *however*, that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in New York shall be governed by the laws of the state or province of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

E. Reference to Monetary Figures.

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

F. Reference to the Debtors or the Reorganized Debtors.

Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

ARTICLE II.
ADMINISTRATIVE CLAIMS AND OTHER UNCLASSIFIED CLAIMS

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

A. Administrative Claims.

1. Administrative Claims.

Except with respect to Administrative Claims that are Fee Claims and except to the extent that a Holder of an Allowed Administrative Claim and the applicable Debtor(s) agree to less favorable treatment with respect to such Holder, each Holder of an Allowed Administrative Claim shall be paid in full in Cash on the later of: (a) on or as soon as reasonably practicable after the Effective Date if such Administrative Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed; and (c) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is practicable; *provided*, *however*, that Allowed Administrative Claims that arise in the ordinary course of the Debtors' business shall be paid in full in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order. For purposes of this Plan, all Administrative Claims arising or granted under the DIP Order shall be deemed Allowed by Final Order.

2. Professional Compensation.

(a) *Fee Claims.*

Professionals asserting a Fee Claim for services rendered before the Confirmation Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, the Interim Compensation Order or any other applicable order of the Bankruptcy Court, an application for final allowance of such Fee Claim no later than 20 days after the Effective Date; *provided*, *however*, that any Professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professional Order may continue to receive such compensation or reimbursement of expenses for services rendered before the Confirmation Date, without further Bankruptcy Court order, pursuant to the Ordinary Course Professional Order. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party no later than 40 days after the Effective Date. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims.

(b) *Post-Confirmation Date Fees and Expenses.*

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order or approval of the Bankruptcy Court, subject to the terms of the DIP Order, pay in Cash the reasonable legal, professional or other fees and expenses related to implementation and Consummation of the Plan incurred by the Reorganized Debtors through and including the Effective Date. Upon the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional for services rendered or expenses incurred after the Confirmation Date in the ordinary course of business without any further notice to any party or action, order or approval of the Bankruptcy Court.

3. Administrative Claim Bar Date.

Except as otherwise provided in this Article II.A, requests for payment of Administrative Claims must be Filed and served on the Reorganized Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than 15 days after entry of the Confirmation Order. Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtors and the requesting party no later than 60 days after the Effective Date.

B. Priority Tax Claims.

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Tax Claim, each holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; (2) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

C. Statutory Fees.

On the Distribution Date, the Debtors shall pay, in full in Cash, any fees due and owing to the U.S. Trustee at the time of Confirmation. On and after the Effective Date, Reorganized AIH shall pay the applicable U.S. Trustee fees for each of the Reorganized Debtors until the entry of a final decree in such Debtor's Chapter 11 Case or until such Chapter 11 Case is converted or dismissed.

ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

A. Classification of Claims and Interests.

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Interests. All Claims and Interests, except for Administrative Claims and Priority Tax Claims, are classified in the Classes set forth in this Article III. 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 also is classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and has not been paid, released or otherwise satisfied before the Effective Date.

B. Summary of Classification.

The Plan constitutes a separate chapter 11 plan of reorganization for each Debtor and, unless otherwise explained herein, the classifications set forth in Classes 1A to 11 shall be deemed to apply to each Debtor, as applicable. Only AIH is obligated under the AIH Note Purchase Agreement and, therefore, AIH is the only Debtor that possesses a Class 7 with respect to the AIH Note Claims. AIH is also the only Debtor that possesses a Class 10 with respect to Interests in AIH.

The following chart summarizes the classification of Claims and Interests pursuant to the Plan:

Class	Claim/Interest	Status	Voting Rights
1A	DIP Facility Tranche A Claims	Not Impaired	Deemed to Accept
1B	DIP Facility Tranche B Claims	Impaired	Entitled to Vote
2	Priority Non-Tax Claims	Not Impaired	Deemed to Accept
3	Other Secured Claims	Not Impaired	Deemed to Accept
4	First Lien Secured Claims	Impaired	Entitled to Vote
5	Second Lien Note Claims	Impaired	Entitled to Vote
6A	Qualified Unsecured Trade Claims	Impaired	Entitled to Vote
6B	General Unsecured Claims	Impaired	Deemed to Reject
7	AIH Note Claims	Impaired	Deemed to Reject
8	Intercompany Claims	Impaired	Deemed to Accept
9	Intercompany Interests	Not Impaired	Deemed to Accept
10	Interests in AIH	Impaired	Deemed to Reject

C. Treatment of Claims and Interests.

To the extent a Class contains Allowed Claims or Allowed Interests with respect to a particular Debtor, the treatment provided to each Class for distribution purposes is specified below:

1. Class 1A - DIP Facility Tranche A Claims

(a) *Classification*: Class 1A consists of DIP Facility Tranche A Claims.

(b) *Allowance*: The DIP Facility Tranche A Claims shall be Allowed and deemed to be Allowed Claims in Class 1A in the full amount outstanding under the DIP Facility Credit Agreement with respect to the DIP Facility Tranche A as of the Effective Date.

(c) *Treatment*: Except to the extent that a Holder of a DIP Facility Tranche A Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of the DIP Facility Tranche A Claims, each Holder of a DIP Facility Tranche A Claim shall receive on the Effective Date payment in full, in Cash (or, with respect to any DIP Facility Tranche A Claims on account of issued and undrawn letters of credit, at the option of the DIP Facility Issuing Bank, cash collateral in the amount of 105% of the aggregate amount of such letters of credit) provided that such payments shall be distributed to the DIP Facility Tranche A Administrative Agent on behalf of Holders of such DIP Facility Tranche A Claims. In addition to the foregoing, on the Effective Date, the Debtors shall be required to pay all reasonable and documented fees and out-of-pocket costs and expenses of the DIP Facility Tranche A Agents and the DIP Facility Tranche A Lenders as provided in the DIP Order and the DIP Credit Agreement, as applicable.

(d) *Voting*: Class 1A is not Impaired by the Plan, and each Holder of a Class 1A DIP Facility Tranche A Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1A DIP Facility Tranche A Claims are not entitled to vote to accept or reject the Plan.

2. Class 1B - DIP Facility Tranche B Claims

(a) *Classification*: Class 1B consists of DIP Facility Tranche B Claims.

(b) *Allowance*: The DIP Facility Tranche B Claims shall be Allowed and deemed to be Allowed Claims in Class 1B in the full amount outstanding under the DIP Facility Credit Agreement with respect to the DIP Facility Tranche B as of the Effective Date.

(c) *Treatment*: Except to the extent that a Holder of a DIP Facility Tranche B Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of the DIP Facility Tranche B Claims, each Holder of a DIP Facility Tranche B Claim shall receive its Pro Rata share of the New Senior Term Loan. In addition to the foregoing, on the Effective Date the Debtors shall be required to pay all reasonable and documented fees, out-of-pocket costs and expenses of the Tranche B DIP Agents as provided in the DIP Order and the DIP Credit Agreement, as applicable.

(d) *Voting*: Class 1B is Impaired. Therefore, Holders of Class 1B DIP Facility Tranche B Claims are entitled to vote to accept or reject the Plan.

3. Class 2 - Priority Non-Tax Claims.

(a) *Classification*: Class 2 consists of Priority Non-Tax Claims.

(b) *Treatment*: Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Non-Tax Claim, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash on or as reasonably practicable after (i) the Effective Date, (ii) the date on which such Priority Non-Tax Claim against the Debtors becomes an Allowed Priority Non-Tax Claim or (iii) such other date as may be ordered by the Bankruptcy Court.

(c) *Voting*: Class 2 is not Impaired by the Plan, and each Holder of a Class 2 Priority Non-Tax Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Priority Non-Tax Claims are not entitled to vote to accept or reject the Plan.

4. Class 3 - Other Secured Claims.

(a) *Classification:* Class 3 consists of Other Secured Claims.

(b) *Treatment:* Except to the extent that a Holder of an Other Secured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Other Secured Claim, each Holder of such Allowed Other Secured Claim shall receive one of the following treatments, in the sole discretion of the applicable Debtor: (i) the Debtors or the Reorganized Debtors shall pay such Allowed Other Secured Claims in full in Cash, including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code; (ii) the Debtors or the Reorganized Debtors shall deliver the collateral securing any such Allowed Other Secured Claim; or (iii) the Debtors or the Reorganized Debtors shall otherwise treat such Allowed Other Secured Claim in any other manner such that the Claim shall be rendered not Impaired.

(c) *Voting:* Class 3 is not Impaired by the Plan, and each Holder of a Class 3 Other Secured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Other Secured Claims are not entitled to vote to accept or reject the Plan.

5. Class 4 - First Lien Secured Claims.

(a) *Classification:* Class 4 consists of First Lien Secured Claims.

(b) *Allowance:* The First Lien Secured Claims shall be Allowed.

(c) *Treatment:* In exchange for full and final satisfaction, settlement, release and discharge of the First Lien Secured Claims, each Holder of such Allowed First Lien Secured Claim shall receive a Pro Rata distribution of (i) the New First Lien Term Loan, (ii) the New Junior Loan and (iii) 95% of the New Common Stock in the form of Class A Common Stock to be issued on the Effective Date (subject to dilution on account of the Management Equity Incentive Program). In addition to the foregoing, on the Effective Date, the Debtors shall be required to pay all reasonable and documented fees, out-of-pocket costs and expenses of the First Lien Agent and the Ad Hoc Group of First Lien Lenders, in each case, as provided in the First Lien Credit Agreement, the DIP Order and the DIP Credit Agreement, as applicable.

(d) *Voting*: Class 4 is Impaired by the Plan. Therefore, Holders of Class 4 First Lien Secured Claims are entitled to vote to accept or reject the Plan.

6. Class 5 - Second Lien Note Claims.

(a) *Classification:* Class 5 consists of Second Lien Note Claims.

(b) *Allowance*: The Second Lien Note Claims shall be Allowed.

(c) *Treatment:* In exchange for full and final satisfaction, settlement, release and discharge of the Second Lien Note Claims, each Holder of such Allowed Second Lien Note Claim shall receive its Pro Rata share of 5% of the New Common Stock in the form of Class B Common Stock to be issued on the Effective Date (subject to dilution on account of the Management Equity Incentive Program). In addition to the foregoing, on the Effective Date the Debtors shall be required to pay all reasonable and documented fees, out-of-pocket costs and expenses of the Second Lien Agent as provided in the Second Lien Note Purchase Agreement, the DIP Order and the DIP Credit Agreement, as applicable.

(d) *Voting:* Class 5 is Impaired. Therefore, Holders of Class 5 Second Lien Note Claims are entitled to vote to accept or reject the Plan.

7. Class 6A - Qualified Unsecured Trade Claims.

(a) *Classification:* Class 6A consists of Qualified Unsecured Trade Claims.

(b) *Treatment:* Except to the extent that a Holder of an Allowed Qualified Unsecured Trade Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Qualified Unsecured Trade Claim, and subject to execution of, and continued performance under, a Qualified Vendor Support Agreement, each Holder of an Allowed Qualified Unsecured Trade Claim will be paid in accordance with the terms of the Qualified Vendor Support Agreement between the applicable Debtor and the Holder of an Allowed Qualified Unsecured Trade Claim (i) on the Effective Date or as soon as reasonably practicable thereafter or (ii) in the ordinary course of business in accordance with the terms of any agreement that governs such Allowed Qualified Unsecured Trade Claim or in accordance with the course of practice between the Debtors and such Holder with respect to such Allowed Qualified Unsecured Trade Claim to the extent such Allowed Qualified Unsecured Trade Claim is not otherwise satisfied or waived on or before the Effective Date; *provided*, *however*, that Holders of Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees or penalties on account of such Claims. Holders of Allowed Qualified Unsecured Trade Claims who received any payments from the Debtors during the Chapter 11 Cases pursuant to any order of the Bankruptcy Court shall not be excluded from receiving distributions under the Plan on account of such Claims unless such Claims were fully satisfied by any prior payments from the Debtors or otherwise waived.

(c) *Voting:* Class 6A is Impaired by the Plan. Therefore, Holders of Class 6A Claims are entitled to vote to accept or reject the Plan.

8. Class 6B - General Unsecured Claims.

(a) *Classification:* Class 6B consists of General Unsecured Claims.

(b) *Treatment:* Holders of General Unsecured Claims will not receive any distribution on account of such General Unsecured Claims. On the Effective Date, General Unsecured Claims shall be cancelled and discharged.

(c) *Voting:* Class 6B is Impaired and Holders of Class 6B General Unsecured Claims are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the

Bankruptcy Code. Therefore, Holders of Class 6B General Unsecured Claims are not entitled to vote to accept or reject the Plan.

9. Class 7 - AIH Note Claims

(a) *Classification:* Class 7 consists of AIH Note Claims.

(b) *Treatment:* Holders of AIH Note Claims will not receive any distribution on account of such AIH Note Claims. On the Effective Date, AIH Note Claims shall be cancelled and discharged.

(c) *Voting:* Class 7 is Impaired and Holders of Class 7 AIH Note Claims are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 7 AIH Note Claims are not entitled to vote to accept or reject the Plan.

10. Class 8 - Intercompany Claims.

(a) *Classification:* Class 8 consists of Intercompany Claims.

(b) *Treatment:* On the Effective Date, or as soon thereafter as is practicable, Intercompany Claims will be paid, adjusted, reinstated in full or in part or cancelled or discharged in full or in part, in each case, to the extent determined appropriate by the Reorganized Debtors. The Debtors and the Reorganized Debtors will be entitled to transfer funds between and among themselves as they determine to be necessary or appropriate to enable the Reorganized Debtors to satisfy their obligations under the Plan. Except as set forth herein, any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the Debtors' historical intercompany account settlement practices.

(c) *Voting:* Holders of Class 8 Intercompany Claims are Impaired. Holders of Class 8 Intercompany Claims are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

11. Class 9 - Intercompany Interests.

(a) *Classification:* Class 9 consists of Intercompany Interests.

(b) *Treatment*: Intercompany Interests shall be Reinstated.

(c) *Voting*: Class 9 is not Impaired by the Plan and Holders of Class 9 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 9 Intercompany Interests are not entitled to vote to accept or reject the Plan.

12. Class 10 - Interests in AIH.

(a) *Classification:* Class 10 consists of Interests in AIH.

(b) *Treatment:* Holders of Interests in AIH shall not receive any distribution on account of such Interests. On the Effective Date, Interests in AIH shall be cancelled and discharged.

(c) *Voting:* Class 10 is Impaired and Holders of Class 10 Interests in AIH are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

Therefore, Holders of Class 10 Interests in AIH are not entitled to vote to accept or reject the Plan.

D. Special Provision Governing Claims that are Not Impaired.

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Claims that are not Impaired, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Claims that are not Impaired.

E. Acceptance or Rejection of the Plan.

1. Voting Classes.

Classes 1B, 4, 5, and 6A are Impaired under the Plan and are entitled to vote to accept or reject the Plan.

2. Presumed Acceptance of the Plan.

Classes 1A, 2, 3 and 9 are not Impaired under the Plan, and the Holders in such Classes are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan. Additionally, Holders in Class 8 are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code because all Holders in Class 8 for each of the Debtors are proponents of the Plan.

3. Presumed Rejection of Plan.

Classes 6B, 7 and 10 are Impaired and shall receive no distribution under the Plan. The Holders in such Classes are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

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

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests.

G. Subordinated Claims.

Except as expressly provided herein, 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 Reorganized Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal or equitable subordination relating thereto.

ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN

A. New Loans.

The material terms of each of the New Loans shall be as follows:

1. New ABL Facility.

The New ABL Facility shall (a) have an availability of up to $80 million, (b) have an interest rate of LIBOR plus 350 basis points (with a LIBOR floor of 150 basis points), (c) have a maturity of three years and (d) be secured by a first priority lien on all of the Restructured Debtors' assets.

2. New Senior Term Loan.

The New Senior Term Loan shall (a) be in the principal amount of $35 million (or $40 million to the extent the DIP Facility Tranche B is fully drawn as of the Effective Date), (b) have an interest rate of LIBOR plus 1050 basis points (with a LIBOR floor of 350 basis points), (c) have a maturity of five years and (d) be secured by substantially all of the Reorganized Debtors' assets junior in lien and payment to the New ABL Facility.

3. New First Lien Term Loan.

The New First Lien Term Loan shall (a) be in the principal amount of $200 million, (b) until such time that the Reorganized Debtors achieve a Fixed Charge Coverage Ratio (defined below) of 1.25x or higher, the interest accruing on the New First Lien Term Loan shall be payable in both Cash and payment in kind ("***PIK***"), with the cash component priced at LIBOR plus 250 basis points (with a LIBOR floor of 150 basis points) and the PIK component priced at 250 basis points (the "***PIK Interest***"); *provided, that* once the Fixed Charge Coverage Ratio of 1.25x or higher is achieved, the PIK Interest shall be payable in Cash, (c) have a maturity date of five years (d) have $500,000 in quarterly amortization payments; *provided, however*, that no amortization payments shall be made during the first 18 months after the Effective Date and (e) be secured by substantially all of the Reorganized Debtors' assets, junior in lien and payment to the New ABL Facility and the New Senior Term Loan.

For purposes of this Article IV.A.3, "***Fixed Charge Coverage Ratio***" shall mean for any twelve-month period (x) earnings before interest, taxes, depreciation and amortization, minus Cash capital expenditures, minus Cash taxes, divided by (y) Cash interest plus PIK Interest related to the New First Lien Term Loan plus scheduled Cash amortization of the New First Lien Term Loan.

4. New Junior Term Loan.

The New Junior Term Loan shall (a) be in the principal amount of $43 million, (b) have cash pay interest that is the greater of (i) LIBOR and (ii) 1%, with a 4% cap and payment-in-kind interest of 700 basis points, (c) a maturity of six years and (d) be secured by substantially all of the Reorganized Debtors' assets, junior in lien and payment to the New ABL Facility, the New Senior Term Loan and the New First Lien Term Loan.

B. Restructuring Transactions.

On the Effective Date, or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law. Additionally, Reorganized AIH shall be authorized as of the Effective Date to file a Form 8832 Entity Classification Election with the Internal Revenue Service to be treated as a corporation for United States federal income tax purposes.

C. Sources of Consideration for Plan Distributions.

The Reorganized Debtors shall make distributions under the Plan as follows:

1. The New Loans.

On the Effective Date the Reorganized Debtors shall enter into the New Loans. Confirmation shall be deemed approval of the New Loans (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred and fees paid by the Reorganized Debtors in connection therewith) and Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to obtain the New Loans, including the New Loan Documents, without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or vote, consent, authorization or approval of any Person, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such New Loans.

2. Issuance and Distribution of New Common Stock.

The issuance of the New Common Stock by Reorganized AIH, including options, stock appreciation rights or other equity awards, if any, in connection with the Management Equity Incentive Program, is authorized without the need for any further corporate action and without any further action by the Holders of Claims or Interests. 300 million common shares shall be authorized under the New Certificate of Incorporation of Reorganized AIH, of which 190 million shall be Class A Common Stock and 10 million shall be Class B Common Stock.

On the Effective Date, an initial number of 200 million shares of New Common Stock shall be issued and distributed as follows: an aggregate 190 million shares of Class A Common Stock will be issued to Holders of Claims in Class 4 and an aggregate 10 million shares of Class B Common Stock will be issued to the Holders of Claims in Class 5, in each case, subject to dilution with respect to any shares issued pursuant to the Management Equity Incentive Program.

All of the shares of New Common Stock issued pursuant to the Plan shall be duly authorized, validly issued, fully paid and non-assessable. Each distribution and issuance of the New Common Stock under the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

Upon the Effective Date, Reorganized AIH shall enter into the New Stockholders Agreement and the New Registration Rights Agreement with each Entity that is to be a counter-party thereto and the New Stockholders Agreement and the New Registration Rights Agreement shall each be deemed to be valid, binding and enforceable in accordance with its terms, and each holder of New Common Stock shall be bound thereby. The Holders of Claims in Class 4 and the Holders of Claims in Class 5 shall be required to execute the New Stockholders Agreement before receiving their respective distributions of the New Common Stock under the Plan.

D. Corporate Existence.

Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, each Debtor shall continue to exist after the Effective Date as a separate corporation, limited liability company, partnership or other form of entity, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form of entity, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and by-laws (or other analogous formation or governing documents) in effect before the Effective Date, except to the extent such certificate of incorporation and bylaws (or other analogous formation or governing documents) are amended by the Plan or otherwise. To the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial or federal law).

E. Vesting of Assets in the Reorganized Debtors.

Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, all property in each Estate, all Causes of Action and any

property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances, except for Liens securing the New Loans. On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire or dispose of property and compromise or settle any Claims, Interests or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

F. Cancellation of Existing Securities.

Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated in the Plan or the Plan Supplement, on the Effective Date: (1) the obligations of the Debtors under the DIP Facility Credit Agreement, the First Lien Credit Agreement, the Second Lien Note Purchase Agreement, the AIH Note Purchase Agreement and any other certificate, share, note, bond, indenture, purchase right, option, warrant or other instrument or document, directly or indirectly, evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such certificates, notes or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically Reinstated pursuant to the Plan) shall be cancelled solely as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors pursuant, relating or pertaining to any agreements, indentures, certificates of designation, bylaws or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, purchase rights, options, warrants or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, certificates, notes or other instruments evidencing indebtedness or obligations of the Debtors that are specifically Reinstated pursuant to the Plan) shall be released and discharged; *provided*, *however*, notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of enabling Holders of Allowed Claims to receive distributions under the Plan as provided herein; *provided*, *further*, *however*, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order or the Plan or result in any expense or liability to the Reorganized Debtors, except to the extent set forth in or provided for under this Plan. On and after the Effective Date, all duties and responsibilities of the ABL Agents under the ABL Credit Agreement, the First Lien Agent under the First Lien Credit Agreement, the Second Lien Note Agent under the Second Lien Note Purchase Agreement and the AIH Agent under the AIH Note Purchase Agreement, as applicable, shall be discharged unless otherwise specifically set forth in or provided for under the Plan.

G. Corporate Action.

Upon the Effective Date, or as soon thereafter as is reasonably practicable, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including: (1) execution and entry into the New Loans; (2) the distribution of the New Common Stock; (3) selection of the directors and officers for the Reorganized Debtors; (4) implementation of the restructuring transactions contemplated by this Plan, as applicable; (5) adoption of the Management Equity Incentive Program, if applicable; (6) adoption or assumption, as applicable, of the agreements with existing management, if any; and (7) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtors or the Reorganized Debtors. On or (as applicable) before the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors shall be authorized and (as applicable) directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including the New Loan Documents and any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV shall be effective notwithstanding any requirements under non-bankruptcy law. The issuance of the New Common Stock shall be exempt from the requirements of section 16(b) of the Securities Exchange Act of 1934 (pursuant to Rule 16b-3 promulgated thereunder) with respect to any acquisition of such securities by an officer or director (or a director deputized for purposes thereof) as of the Effective Date.

H. New Certificates of Incorporation and New By-Laws.

On or immediately before the Effective Date, the Reorganized Debtors will file their respective New Certificates of Incorporation with the applicable Secretaries of State and/or other applicable authorities in their respective states, provinces or countries of incorporation in accordance with the corporate laws of the respective states, provinces or countries of incorporation. Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Certificates of Incorporation will prohibit the issuance of non-voting equity securities; *provided*, *however*, that Reorganized AIH's New Certificate of Incorporation shall authorize the issuance of 10 million shares of Class B Common Stock. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Certificates of Incorporation and New By-Laws and other constituent documents as permitted by the laws of their respective states, provinces or countries of incorporation and their respective New Certificates of Incorporation and New By-Laws.

I. Directors and Officers of the Reorganized Debtors and Reorganized AIH.

As of the Effective Date, the term of the current members of the board of directors of AIH shall expire, and the initial boards of directors, including the New AIH Board and the New Subsidiary Boards, as well as the officers of each of the Reorganized Debtors shall be appointed in accordance with the New Certificates of Incorporation and New By-Laws of each Reorganized Debtor.

On the Effective Date, the New AIH Board shall consist of seven directors: (a) five directors appointed by certain of the First Lien Lenders, including two directors appointed by American Capital, Ltd., one director appointed by Ableco Finance LLC, one director appointed by Highland Capital Management LP and one director appointed by Canyon Capital Advisors LLC; (b) one independent director appointed by the First Lien Lenders other than American Capital, Ltd., Ableco Finance LLC, Highland Capital Management LP and Canyon Capital Advisors LLC; and (c) the current Chief Executive Officer of AIH.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of any Person proposed to serve on the initial New AIH Board and the New Subsidiary Boards, as well as those Persons that serve as an officer of any of the Reorganized Debtors. To the extent any such director or officer is an "insider" under the Bankruptcy Code, the nature of any compensation to be paid to such director or officer will also be disclosed. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Certificates of Incorporation, New By-Laws and other constituent documents of the Reorganized Debtors.

J. Effectuating Documents; Further Transactions.

On and after the Effective Date, the Reorganized Debtors and Reorganized AIH, and the officers and members of the New Boards thereof, are 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 and the Securities issued pursuant to the Plan, including the New Common Stock, in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization or consents except those expressly required pursuant to the Plan.

K. Management Equity Incentive Program.

The Debtors and each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims shall engage in good faith negotiations to reach agreement on the Management Equity Incentive Program and include any form thereof and the amounts of any grants thereunder in the Plan Supplement; *provided*, *however*, that if the Debtors and each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims are unable to reach an agreement notwithstanding their good faith efforts to do so, no such program shall be included in the Plan Supplement and instead, within 90 days of the Effective Date the New AIH Board shall adopt and implement the Management Equity Incentive Program.

L. New Employment Agreements.

On the Effective Date, Reorganized AIH shall enter into the New Employment Agreements as consented to by each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims pursuant to Article I.A.122.

M. Exemption from Certain Taxes and Fees.

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, lien or other security interest; (2) the making or assignment of any lease or sublease; (3) any restructuring transaction authorized by the Plan; or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

N. Existing Benefits Agreements.

The Existing Benefits Agreements for which each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims has consented to assumption by the Reorganized Debtors shall be included in the Plan Supplement and assumed by the Reorganized Debtors. Nothing in the Plan or the Plan Supplement shall limit, diminish or otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action or other rights with respect to any such contracts, agreements, policies, programs and plans. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

O. D&O Liability Insurance Policies.

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtors shall assume (and assign to the Reorganized Debtors if necessary to continue the D&O Liability Insurance Policies in full force) all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' assumption of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained herein, Confirmation of the Plan shall not discharge, impair or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. On or before the Effective Date, the Reorganized Debtors may obtain reasonably sufficient tail coverage (*i.e.*, D&O insurance coverage that extends beyond the end of the policy period) under a directors and officers' liability insurance policy for the current and former directors, officers and managers for such terms or periods of time, and placed with such insurers, to be reasonable under the circumstances or as otherwise specified and ordered by the Bankruptcy Court in the Confirmation Order.

P. Preservation of Causes of Action.

In accordance with section 1123(b) of the Bankruptcy Code, but subject to Article VIII hereof, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement or the Disclosure Statement to any

Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. The Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (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 Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection or repudiation of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors, as the case may be. The applicable Reorganized Debtor, through its authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have 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.

Q. The Fee Claims Escrow Account.

On the Effective Date, subject to any alternative agreement as between the Debtors and any Holder of a Fee Claim, the Debtors shall (1) establish and fund the Fee Claims Escrow Account in an amount equal to all Fee Claims outstanding as of the Effective Date (including unbilled and estimated amounts, if applicable) or (2) enter into an agreement with any relevant Holder of Fee Claims acceptable to such Holder. Amounts held in the Fee Claims Escrow Account shall not constitute property of the Reorganized Debtors. The Fee Claims Escrow Account may be an interest-bearing account. In the event there is a remaining balance in the Fee Claims Escrow Account following (1) payment to all Holders of Fee Claims under the Plan and (2) the closing of the Chapter 11 Cases pursuant to Article XII.K, such remaining amount, if any, shall be returned to the Reorganized Debtors.

ARTICLE V.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases.

On the Effective Date, except as otherwise provided herein, or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to assume Filed on or before the Effective Date; or (4) is identified as an Executory Contract or Unexpired Lease on the Assumed Executory Contracts and Unexpired Lease List.

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumptions or rejections of such Executory Contracts or Unexpired Leases as set forth in the Plan, the Assumed Executory Contract and Unexpired Leases List or Rejected Executory Contract and Unexpired Leases List, pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, assumptions or rejections of Executory Contracts and Unexpired Leases pursuant to the Plan are effective as of the Effective Date. Each Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order but not assigned to a third party before the Effective Date shall re-vest in and be fully enforceable by the applicable contracting Reorganized Debtor in accordance with its terms, except as such terms may have been modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order.

B. Claims Based on Rejection of Executory Contracts or Unexpired Leases.

Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, if any, must be filed with the Bankruptcy Court within 30 days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed within such time will be automatically disallowed, forever barred from assertion and shall not be enforceable against the Debtors or the Reorganized Debtors, the Estates or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order or approval of the Bankruptcy Court. Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims shall be treated in accordance with Article III of the Plan, as applicable.

Rejection Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. Such Rejection Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII hereof.

C. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed.

Any monetary defaults under each Executory Contract and Unexpired Lease as reflected on the Assumed Executory Contracts and Unexpired Lease List shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date, subject to the limitations described below, 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 any payments to cure such a default, (2) the ability of the Reorganized Debtors 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 payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. At least 14 days before the Confirmation Hearing, the Debtors shall distribute, or cause to be distributed, Cure Notices of proposed assumption and proposed amounts of Cure Claims to the applicable third parties. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related cure amount must be Filed, served and actually received by the Debtors at least three days before the Confirmation Hearing. 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 amount.

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, 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 date of the Debtors or Reorganized Debtors assume such Executory Contract or Unexpired Lease. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order or approval of the Bankruptcy Court.

D. Insurance Policies.

All of the Debtors' insurance policies and any agreements, documents or instruments relating thereto, are treated as and deemed to be Executory Contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents and instruments related thereto.

E. Modifications, Amendments, Supplements, Restatements or Other Agreements.

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and Executory Contracts and Unexpired Leases related thereto, if any, including 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 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.

F. Reservation of Rights.

Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Rejected Executory Contract and Unexpired Lease List, 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 any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or Reorganized Debtors, as applicable, shall have 28 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

G. Nonoccurrence of Effective Date.

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting unexpired leases pursuant to section 365(d)(4) of the Bankruptcy Code.

H. Contracts and Leases Entered Into After the Petition Date.

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

ARTICLE VI.
PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Calculation of Amounts to Be Distributed.

Unless otherwise provided in the Plan, on the Effective Date (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim shall receive the full amount of the distributions that the Plan provides for Allowed Claims in each applicable Class. 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, but shall be deemed to have been completed as of the required date. 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. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the distributions provided for in the Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date. The Debtors shall have no obligation to recognize any transfer of Claims or Interests occurring on or after the Voting Deadline.

B. Disbursing Agent.

All distributions under the Plan shall be made by the Disbursing Agent on the Effective Date. To the extent the Disbursing Agent is one or more of the Reorganized Debtors, the Disbursing Agent 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.

C. Rights and Powers of Disbursing Agent.

1. Powers of the Disbursing Agent.

The Disbursing Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred On or After the Effective Date.

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and out-of-pocket expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and out-of-pocket expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

D. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. Delivery of Distributions.

(a) Delivery of Distributions to First Lien Agent.

Except as otherwise provided in the Plan, all distributions to Holders of First Lien Secured Claims shall be governed by the First Lien Credit Agreement and shall be deemed completed when made to the First Lien Agent, who shall be deemed to be the Holder of all First Lien Secured Claims for purposes of distributions to be made hereunder. The First Lien Agent shall hold or direct such distributions for the benefit of the Holders of Allowed First Lien Secured Claims, as applicable. As soon as practicable in accordance with the requirements set forth in this Article VI, the First Lien Agent shall arrange to deliver such distributions to or on behalf of such Holders of Allowed First Lien Secured Claims.

(b) Delivery of Distributions to Second Lien Note Agent.

Except as otherwise provided in the Plan, all distributions to Holders of Second Lien Note Claims shall be governed by the Second Lien Note Purchase Agreement and shall be deemed completed when made to the Second Lien Note Agent, who shall be deemed to be the Holder of Second Lien Note Claims for purposes of distributions to be made hereunder. The Second Lien Note Agent shall hold or direct such distributions for the benefit of the Holders of Allowed Second Lien Note Claims. As soon as practicable in accordance with the requirements set forth in this Article VI, the Second Lien Note Agent shall arrange to deliver such distributions to or on behalf of such Holders of Allowed Second Lien Note Claims.

(c) Delivery of Distributions in General.

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be made to Holders of record as of the Distribution Record Date by the Reorganized Debtors or the Disbursing Agent, as appropriate: (1) to the signatory set forth on any of the Proofs of Claim Filed by such Holder or other representative identified therein (or at the last known addresses of such Holder if no Proof of Claim is Filed or if the Debtors have been notified in writing of a change of address); (2) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtors or the applicable Disbursing Agent, as appropriate, after the date of any related Proof of Claim; (3) at the addresses reflected in the Schedules if no Proof of Claim has been Filed and the Reorganized Debtors or the applicable Disbursing Agent, as appropriate, has not received a written notice of a change of address; or (4) on any counsel that has appeared in the Chapter 11 Cases on the Holder's behalf. Subject to this Article VI, distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment or like legal process, so that each Holder of an Allowed Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan. The Debtors, the Reorganized Debtors and the

Disbursing Agent, as applicable, shall not incur any liability whatsoever on account of any distributions under the Plan except for gross negligence or willful misconduct.

2. Minimum Distributions.

No fractional shares of New Common Stock shall be distributed and no Cash shall be distributed in lieu of such fractional amounts. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Common Stock that is not a whole number, the actual distribution of shares of New Common Stock shall be rounded as follows: (a) fractions of one-half (½) or greater shall be rounded to the next higher whole number and (b) fractions of less than one-half (½) shall be rounded to the next lower whole number with no further payment therefore. The total number of authorized shares of New Common Stock to be distributed to holders of Allowed Claims shall be adjusted as necessary to account for the foregoing rounding.

3. 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 Disbursing Agent 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 one year from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors automatically and without need for a further order by the Bankruptcy Court (notwithstanding any applicable federal, provincial or state escheat, abandoned or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

E. Manner of Payment.

1. All distributions of New Common Stock under the Plan shall be made by the Disbursing Agent on behalf of Reorganized AIH.

2. All distributions with respect to each of the New ABL Loan, New Senior Term Loan, the New First Lien Term Loan and the New Junior Term Loan shall be deemed made as of the Effective Date.

3. All distributions of Cash under the Plan shall be made by the Disbursing Agent on behalf of the applicable Debtor.

4. At the option of the Disbursing Agent, any Cash payment to be made hereunder may be made by check or wire transfer or as otherwise required or provided in applicable agreements.

F. Section 1145 Exemption.

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance and distribution of the New Common Stock as contemplated by Article IV.C of the Plan shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration prior to the offering, issuance, distribution or sale of Securities. In addition, under section 1145 of the Bankruptcy Code, such New Common Stock will be freely tradable in the U.S. by the recipients thereof, subject to the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with applicable securities laws and any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such Securities or instruments and subject to any restrictions in the New Stockholders Agreement, the New Registration Rights Agreement and Reorganized AIH's New Certificate of Incorporation.

G. Compliance with Tax Requirements.

In connection with the Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Disbursing Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with applicable wage garnishments, alimony, child support and other spousal awards, liens and encumbrances.

H. Allocations.

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.

I. No Postpetition Interest on Claims.

Unless otherwise specifically provided for in the DIP Order, the Plan or the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any such Claim.

J. Setoffs and Recoupment.

The Debtors may, but shall not be required to, setoff against or recoup from any Claims of any nature whatsoever that the Debtors may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such Claim it may have against the Holder of such Claim.

K. Claims Paid or Payable by Third Parties.

1. Claims Paid by Third Parties.

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claim 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 Reorganized Debtor. Subject to the last sentence of this paragraph, 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 or a Reorganized Debtor on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Reorganized 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 Reorganized Debtor annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the two-week grace period specified above until the amount is repaid.

2. Claims Payable by Third Parties.

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 until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such

insurers' agreement, the applicable portion of such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies.

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

ARTICLE VII.
PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

A. Allowance of Claims.

After the Effective Date, each Reorganized Debtor shall have and retain any and all rights and defenses such Debtor had with respect to any Claim or Interest immediately before the Effective Date.

B. Claims Administration Responsibilities.

Except as otherwise specifically provided in the Plan, after the Effective Date, the Reorganized Debtors shall have the sole authority: (1) to File, withdraw or litigate to judgment objections to Claims or Interests; (2) to settle or compromise any Disputed Claim without any further notice to or action, order or approval by the Bankruptcy Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval by the Bankruptcy Court.

C. Estimation of Claims.

Before or after the Effective Date, the Debtors or Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim or Interest, including during the litigation of any objection to any Claim or Interest or during the appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the Claims Register, but that either 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 or unliquidated Claim or Interest, that estimated amount shall constitute a maximum limitation on such Claim or Interest for all purposes under the Plan (including for purposes of distributions), and the relevant Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim or Interest.

D. Adjustment to Claims Without Objection.

Any Claim or Interest that has been paid or satisfied, or any Claim or Interest that has been amended or superseded, cancelled or otherwise expunged (including pursuant to the Plan), may be adjusted or expunged (including on the Claims Register, to the extent applicable) by the Reorganized Debtors without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

E. Time to File Objections to Claims.

Any objections to Claims shall be Filed on or before the later of (1) the date that is 90 days after the Effective Date and (2) such later date as may be fixed by the Bankruptcy Court.

F. Disallowance of Claims.

Any Claims held by Entities from which property is recoverable under section 542, 543, 550 or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549 or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and Holders of such Claims may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court order with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Reorganized Debtors. All Claims Filed on account of an indemnification obligation to a director, officer or employee shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent such indemnification obligation is assumed (or honored or reaffirmed, as the case may be) pursuant to the Plan, without any further notice to or action, order or approval of the Bankruptcy Court. All Claims Filed on account of an employee benefit shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent the Reorganized Debtors elect to honor such employee benefit (or assume the agreement(s) providing such employee benefit are assumed under the Plan), without any further notice to or action, order or approval of the Bankruptcy Court.

EXCEPT AS PROVIDED HEREIN OR OTHERWISE AGREED, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE CLAIMS BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS ON OR BEFORE THE CONFIRMATION HEARING SUCH LATE CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.

G. Amendments to Claims.

On or after the Effective Date, a Claim may not be Filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors. Absent such authorization, any new or amended Claim Filed shall be deemed disallowed in full and expunged without any further action.

H. No Distributions Pending Allowance.

If an objection to a Claim or portion thereof is Filed as set forth in Article VII.B, no payment or distribution provided under the Plan shall be made on account of such Claim or portion thereof unless and until such Disputed Claim becomes an Allowed Claim.

I. Distributions After Allowance.

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim unless required under applicable bankruptcy law.

ARTICLE VIII.
SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

A. Compromise and Settlement of Claims, Interests and Controversies.

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the

Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates and Holders, and is fair, equitable and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

B. Discharge of Claims and Termination of Interests.

Pursuant to section 1141(d) of the Bankruptcy Code, 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 satisfaction, discharge and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtors), 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 (including withdrawal 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 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 discharge of all Claims and Interests subject to the Effective Date occurring.

C. 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 (including the New Loan Documents), 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 and discharged, and all of the right, title and interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Reorganized Debtor and its successors and assigns. In addition, the First Lien Agent and the Second Lien Note Agent shall execute and deliver all documents reasonably requested by the administrative agent for the New ABL Facility to evidence the release of such mortgages, deeds of trust, Liens, pledges and other security interests and shall authorize the Reorganized Debtors to file UCC-3 termination statements (to the extent applicable) with respect thereto.

D. Releases by the Debtors.

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date of the Plan, the Released Parties are hereby expressly, unconditionally, generally and individually and collectively released, acquitted and discharged by the Debtors, the Reorganized Debtors and the Estates from any and all actions, Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that the Debtors, the Reorganized Debtors, the Estates or their Affiliates (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or other Entity, ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the

Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Plan Support Agreement or related agreements, instruments or other documents or any other act or omission, transaction, agreement, event or other occurrence relating to the Debtors taking place on or before the Confirmation Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party unknown to the Debtors as of the Petition Date that constitutes willful misconduct or gross negligence, in each case as determined by Final Order of a court of competent jurisdiction.

E. Releases by Holders.

As of the Effective Date of the Plan, to the extent permitted by applicable law, each Holder of a Claim or an Interest shall be deemed to have expressly, unconditionally, generally and individually and collectively, released, acquitted and discharged the Debtors, the Reorganized Debtors and the Released Parties from any and all actions, Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that such Entity (whether individually or collectively) ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Plan Support Agreement or related agreements, instruments or other documents or any other act or omission, transaction, agreement, event or other occurrence relating to the Debtors taking place on or before the Confirmation Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party unknown to the Debtors as of the Petition Date that constitutes willful misconduct or gross negligence in each case as determined by Final Order of a court of competent jurisdiction.

F. Liabilities to, and Rights of, Governmental Units.

Nothing in the Plan or Confirmation Order shall discharge, release, or preclude: (1) any liability to a Governmental Unit that is not a Claim; (2) any Claim of a Governmental Unit arising on or after the Confirmation Date; (3) any liability to a Governmental Unit on the part of any Person or Entity other than the Debtors or Reorganized Debtors; (4) any valid right of setoff or recoupment by a Governmental Unit; or (5) any criminal liability. Nothing in the Plan or Confirmation Order shall enjoin or otherwise bar any Governmental Unit from asserting or enforcing, outside the Bankruptcy Court, any liability described in the preceding sentence. The discharge and injunction provisions contained in the Plan and Confirmation Order are not intended and shall not be construed to bar any Governmental Unit from, after the Confirmation Date, pursuing any police or regulatory action.

G. Exculpation.

Except as otherwise specifically provided in the Plan or Plan Supplement, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from any Exculpated Claim, obligation, Cause of Action or liability for any Exculpated Claim, except for gross negligence or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Debtors and the Reorganized Debtors (and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys) have participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the Securities pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

H. Injunction.

FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY CAUSE OF ACTION RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER.

FROM AND AFTER THE EFFECTIVE DATE, TO THE EXTENT OF THE RELEASES AND EXCULPATION GRANTED IN ARTICLE VIII HEREOF, THE RELEASING PARTIES SHALL BE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER AGAINST THE RELEASED PARTIES AND THE EXCULPATED PARTIES AND THEIR ASSETS AND PROPERTIES, AS THE CASE MAY BE, ANY SUIT, ACTION OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST OR REMEDY RELEASED OR TO BE RELEASED PURSUANT TO ARTICLE VIII HEREOF.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, OR IN OBLIGATIONS ISSUED PURSUANT TO THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.D OR ARTICLE VIII.E, DISCHARGED PURSUANT TO ARTICLE VIII.B, OR ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VIII.G ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (2) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (3) CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR ESTATE OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; AND (4) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED OR SETTLED PURSUANT TO THE PLAN.

THE RIGHTS AFFORDED IN THE PLAN AND THE TREATMENT OF ALL CLAIMS AND INTERESTS HEREIN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION OF CLAIMS AND INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING ANY INTEREST ACCRUED ON CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTORS OR ANY OF THEIR ASSETS, PROPERTY OR ESTATES. ON THE EFFECTIVE DATE, ALL SUCH CLAIMS AGAINST THE DEBTORS SHALL BE FULLY RELEASED AND DISCHARGED, AND THE INTERESTS SHALL BE CANCELLED.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR HEREIN OR IN OBLIGATIONS ISSUED PURSUANT HERETO FROM AND AFTER THE EFFECTIVE DATE, ALL CLAIMS SHALL BE FULLY RELEASED AND DISCHARGED, AND THE INTERESTS SHALL BE CANCELLED, AND THE DEBTORS' LIABILITY WITH RESPECT THERETO SHALL BE EXTINGUISHED COMPLETELY, INCLUDING ANY LIABILITY OF THE KIND SPECIFIED UNDER SECTION 502(G) OF THE BANKRUPTCY CODE.

ALL ENTITIES SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTORS, THE DEBTORS' ESTATES, THE REORGANIZED DEBTORS, EACH OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS AND EACH OF THEIR ASSETS AND PROPERTIES, ANY OTHER CLAIMS OR INTERESTS BASED UPON ANY DOCUMENTS, INSTRUMENTS OR ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED BEFORE THE EFFECTIVE DATE.

I. Subordination Rights Under the Intercreditor Agreement.

Subject in all respects to the provisions of this Plan, any distributions under the Plan to Holders of Second Lien Note Claims shall be received and retained free from any obligations to hold or transfer the same to any other

creditor, and shall not be subject to levy, garnishment, attachment or other legal process by any Holder by reason of claimed contractual subordination rights. The subordination rights set forth in the Intercreditor Agreement shall be (and deemed to be) waived and the Confirmation Order shall constitute an injunction enjoining any Person from enforcing or attempting to enforce any contractual, legal or equitable subordination rights to property or other interests distributed under the Plan to Holders of Second Lien Note Claims other than as provided in the Plan.

J. 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 Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

ARTICLE IX.
CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions Precedent to Confirmation.

It shall be a condition to Confirmation that all provisions, terms and conditions hereof are approved in the Confirmation Order, which shall be reasonably acceptable to: (a) the Debtors; (b) each Consenting First Lien Lender holding more than 10% of the First Lien Claims; (c) the DIP Tranche A Administrative Agent; and (d) the lead arranger for the New ABL Facility.

B. Conditions Precedent to the Effective Date.

It shall be a condition to the Effective Date of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article IX.C hereof:

1. The Confirmation Order (a) shall have been duly entered and be a Final Order and (b) shall include a finding by the Bankruptcy Court that the New Common Stock to be issued on the Effective Date will be authorized and exempt from registration under applicable securities law pursuant to section 1145 of the Bankruptcy Code.

2. Any amendments, modifications or supplements to the Plan (including the Plan Supplement), if any, shall be reasonably acceptable to: (a) the Debtors; and (b) each Consenting First Lien Lender holding more than 10% of the First Lien Claims.

3. All actions, documents, certificates and agreements necessary to implement this Plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable Governmental Units in accordance with applicable laws.

4. The amount of (a) Allowed Administrative Claims, excluding Fee Claims, shall not exceed and aggregate of $40 million, (b) Allowed Non-Tax Priority Claims shall not exceed an aggregate of $5 million, and (c) Allowed Other Secured Claims shall not exceed an aggregate of $7.5 million.

5. The Debtors shall enter into the New Loan Documents and the conditions precedent to funding under the New Loan Documents (including the payment in full, in Cash of the DIP Facility Tranche A Claims) shall have been satisfied or waived.

6. The Debtors shall have satisfied the DIP Facility Tranche A Claims and DIP Facility Tranche B Claims.

7. Reorganized AIH shall have entered into the New Stockholders Agreement and the New Registration Rights Agreement, each in form and substance reasonably satisfactory to: (a) Reorganized AIH; and (b) each Consenting First Lien Lender holding more than 10% of the First Lien Claims.

C. Waiver of Conditions.

The conditions to Confirmation and to Consummation set forth in Article IX may be waived only by the Person whom is entitled to satisfaction of such condition, without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or consummate the Plan.

D. Effect of Failure of Conditions.

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

ARTICLE X.
MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

A. Modification and Amendments.

Except as otherwise specifically provided in the Plan, the Debtors reserve the right to modify the Plan, whether such modification is material or immaterial, and seek Confirmation consistent with the Bankruptcy Code. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 (as well as those restrictions on modifications set forth in the Plan), each of the Debtors expressly reserves its respective rights to revoke or withdraw, to alter, amend or modify the Plan with respect to such Debtor, 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, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan; *provided, however*, that no such alterations, amendments or modifications shall be made without the consent of each Consenting First Lien Lender holding more than 10% of the First Lien Claims, which consent shall not be unreasonably withheld. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article X.

B. Effect of Confirmation on Modifications.

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

C. Revocation or Withdrawal of Plan.

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

ARTICLE XI.
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 exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction to:

1. 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;

2. 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 (including Fee Claims) authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption, 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 and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including Cure Claims pursuant to section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying or supplementing, after the Effective Date, pursuant to Article V, the Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory, expired or terminated;

4. ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;

5. 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;

6. adjudicate, decide or resolve any and all matters related to section 1141 of the Bankruptcy Code;

7. 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, the Plan Supplement or the Disclosure Statement;

8. enter and enforce any order for the sale of property pursuant to sections 363, 1123 or 1146(a) of the Bankruptcy Code;

9. resolve any cases, controversies, suits, disputes or Causes of Action that may arise in connection with Consummation, including interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

10. 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;

11. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the releases, injunctions and other provisions contained in Article VIII, and enter such orders as may be necessary or appropriate to implement such releases, injunctions and other provisions;

12. 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 for amounts not timely repaid pursuant to Article VI.K.1;

13. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

14. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement or the Confirmation Order;

15. enter an order or Final Decree concluding or closing any of the Chapter 11 Cases;

16. adjudicate any and all disputes arising from or relating to distributions under the Plan;

17. 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;

18. determine requests for the payment of Claims entitled to priority pursuant to section 507 of the Bankruptcy Code;

19. 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;

20. hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

21. hear and determine all disputes involving the existence, nature, scope or enforcement of any exculpations, discharges, injunctions and releases granted in connection with and under the Plan, including under Article VIII;

22. enforce all orders previously entered by the Bankruptcy Court; and

23. hear any other matter not inconsistent with the Bankruptcy Code.

ARTICLE XII.
MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect.

Subject to Article IX.B and notwithstanding Bankruptcy Rules 3020(e), 6004(h) or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors and any and all Holders of Claims or Interests (irrespective of whether their Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges and injunctions described in the Plan, each Entity acquiring property under the Plan and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

B. 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 or Reorganized Debtors, as applicable, and all Holders receiving distributions pursuant to the Plan and all other parties in interest may, from time to time, 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.

C. Statutory Committee and Cessation of Fee and Expense Payment.

On the Effective Date, any statutory committee appointed in the Chapter 11 Cases, including the Creditors' Committee, shall dissolve and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases. The Reorganized Debtors shall no longer be responsible for paying any fees or expenses incurred by any statutory committees after the Effective Date.

D. Reservation of Rights.

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court enters the Confirmation Order, and the Confirmation Order shall have no force or effect if the Effective Date does not occur. None of the Filing of the Plan, any statement or provision contained in the Plan or the taking of any action by any Debtor with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders before the Effective Date.

E. Successors and Assigns.

The rights, benefits and obligations of any Entity named or referred to in the Plan 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.

F. Notices.

To be effective, all notices, requests and demands to or upon the Debtors, the First Lien Lenders or the Second Lien Note Purchasers shall be in writing (including by facsimile transmission). Unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed to the following:

If to the Debtors:
Appleseed's Intermediate Holdings LLC
138 Conant Street
Beverly, Massachusetts 01915
Facsimile: (978) 998-3934
Attention: T. Neale Attenborough
E-mail address: neale@orchardbrands.com

With copies to:
Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Facsimile: (212) 446-4900
Attention: Joshua A. Sussberg, Esq.
E-mail address: joshua.sussberg@kirkland.com

- and -

Klehr Harrison Harvey Branzburg LLP
919 Market Street, Suite 1000
Wilmington, Delaware 19801-3062
Facsimile: (302) 426-9193
Attention: Domenic E. Pacitti, Esq.
E-mail Address: dpacitti@klehr.com

If to the First Lien Lenders:
Sidley Austin LLP

787 Seventh Avenue
New York, New York 10019
Facsimile: (212) 839-5599
Attention: James P. Seery, Jr., Esq.
E-mail address: jseery@sidley.com

If to the Second Lien Note Purchasers:
Kramer Levin Naftalis and Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Facsimile: (212) 715-8000
Attention: Douglas Mannal, Esq..
E-mail address: dmannal@kramerlevin.com

After the Effective Date, the Debtors may, in their sole discretion, notify Entities that, in order to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must File a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

G. Entire Agreement.

Except as otherwise indicated, the Plan 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.

H. Exhibits.

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the website of the Debtors' notice, claims and balloting agent at http://www.kccllc.net/appleseeds or the Bankruptcy Court's website at www.deb.uscourts.gov. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

I. Severability of Plan Provisions.

If, before 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 Debtors' consent; and (3) non-severable and mutually dependent.

J. Votes Solicited in Good Faith.

Upon entry of the Confirmation Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtors and each of their respective Affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale and purchase of Securities offered and sold under

the Plan and any previous plan and, therefore, no such parties, individuals or the Reorganized Debtors will have any liability for the violation of any applicable law, rule or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale or purchase of the Securities offered and sold under the Plan or any previous plan.

K. Closing of Chapter 11 Cases.

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order necessary to close the Chapter 11 Cases.

L. Conflicts.

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement, the Plan Supplement or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Confirmation Order shall govern and control.

M. Filing of Additional Documents.

On or before the Effective Date, the Debtors may File with the Bankruptcy Court all agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

[Remainder of page intentionally left blank.]

Dated: January 19, 2011
Wilmington, DE

APPLESEED'S INTERMEDIATE HOLDINGS LLC, on behalf of itself and each of the other Debtors

By: */s/ T. Neale Attenborough*
Name: T. Neale Attenborough
Title: Chief Executive Officer

COUNSEL:

/s/ Domenic E. Pacitti

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Proposed Counsel to the Debtors and Debtors in Possession

Exhibit B

Declaration of T. Neale Attenborough, Chief Executive Officer of Appleseed's Intermediate Holdings LLC, in Support of First Day Pleadings

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al*.,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

DECLARATION OF T. NEALE ATTENBOROUGH, CHIEF EXECUTIVE OFFICER OF APPLESEED'S INTERMEDIATE HOLDINGS LLC, IN SUPPORT OF FIRST DAY PLEADINGS

Pursuant to 28 U.S.C. § 1746, I, T. Neale Attenborough, hereby declare as follows under penalty of perjury:

1. I am the chief executive officer of Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands ("***AIH***"), a limited liability company organized under the laws of the State of Delaware. I have worked for AIH or its predecessor (together with its 27 affiliated debtors and debtors in possession in the above-captioned chapter 11 cases, the "***Debtors***") since 2001. I am generally familiar with the Debtors' day-to-day operations, businesses, financial affairs and books and records. Except as otherwise indicated, all facts set forth in this declaration are based

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

upon my personal knowledge of the Debtors' operations and finances, information gathered from my review of relevant documents and information supplied to me by members of the Debtors' management team and advisors. I am over the age of 18 and authorized to submit this declaration on behalf of the Debtors. If called upon to testify, I could and would testify competently to the facts set forth herein.

2. In June 2010, the Debtors reached out to certain of their secured lenders to discuss the Debtors' revised business projections, which reflected declines in the Debtors' earnings in the first part of 2010. These deteriorations in business fundamentals led to the Debtors' initiation of discussions with their secured lenders, and, ultimately, intense negotiations regarding a restructuring of the Debtors' overleveraged balance sheet and outstanding obligations. These negotiations were successful: contemporaneously herewith, the Debtors have filed a pre-negotiated plan of reorganization (the "***Plan***") that is supported by an overwhelming majority of the Debtors' secured lenders.[2] As evidenced by the Support Agreement, the Debtors and the Consenting Lenders are committed to implementing the restructuring in an expeditious fashion that ensures the Debtors' businesses continue to operate as a going concern. To that end, the Debtors have already secured, subject to Court approval, a commitment of $80 million for financing upon emergence from chapter 11.

3. More specifically, and to ensure the Debtors' emerge from these cases as quickly as possible, the Support Agreement contemplates a going concern restructuring through the Plan

[2] Attached hereto as **Exhibit A** is the Restructuring Support Agreement, pursuant to which secured lenders holding more than two-thirds in amount of the Debtors' secured obligations under the First Lien Credit Agreement, the Second Lien Purchase Agreement and the AIH Note Purchase Agreement (each as defined herein) have agreed to support the Plan (the "***Support Agreement***," and the non-Debtor parties thereto, the "***Consenting Lenders***"). A copy of the Plan is attached to the Support Agreement as **Exhibit B**. Capitalized terms but not otherwise defined herein have the meaning ascribed to such terms in the Plan.

or alternatively - to the extent certain Plan-related milestones are not achieved - the sale of substantially all of the Debtors' assets (the "***Sale***") pursuant to section 363 of chapter 11 of title 11 of the United States Code (the "***Bankruptcy Code***"). The Sale, which is intended to serve as a "back-stop" to the Plan, will be effectuated pursuant to procedures and an auction, as will be requested in a motion (the "***Sale Motion***") filed by the Debtors no later than five days after the date hereof (the "***Petition Date***"). As part of the Sale, it is contemplated that the Debtors' secured lenders will credit bid their secured claims pursuant to 363(k) of the Bankruptcy Code and implement a capital structure contemplated under the Plan through an entity created by the secured lenders for purposes of credit bidding at the auction. Whether accomplished through the Plan or the Sale, the Debtors will seek to eliminate more than $420 million of outstanding debt obligations and emerge as a stronger, more competitive operation.

4. To minimize the adverse effects of the commencement of these chapter 11 cases on their businesses and ensure that their restructuring goals can be implemented with limited disruption to operations, the Debtors have requested a variety of relief in "first day" motions and applications (each, a "***First Day Pleading***" and, collectively, the "***First Day Pleadings***"), filed concurrently herewith. I am generally familiar with the contents of each of the First Day Pleadings, and I believe that the relief sought therein is necessary to permit an effective transition into chapter 11.

5. I believe that the Debtors' estates would suffer immediate and irreparable harm absent the ability to make certain essential payments and otherwise continue their business operations as sought in the First Day Pleadings. In my opinion, approval of the relief requested in the First Day Pleadings will minimize disruption to the Debtors' business operations, thereby

preserving and maximizing the value of the Debtors' estates and assisting the Debtors in achieving a successful reorganization.

6. This declaration is submitted to assist this Court in becoming familiar with the Debtors, the Debtors' pre-negotiated chapter 11 restructuring and the initial relief sought by the Debtors to stabilize operations and facilitate a restructuring. This declaration is organized as follows: (a) Part I is an introduction and brief summary of the Debtors' operations; (b) Part II provides an overview of the Debtors' businesses and capital structure; (c) Part III describes the events leading up to the filing of these chapter 11 cases and provides an overview of the discussions that led to the Plan; and (d) Part IV and **Exhibit B** attached hereto provide an overview of the relief the Debtors seek at the outset of these chapter 11 cases.

I.
INTRODUCTION

A. Company Overview

7. The Debtors are a leading, multi-channel marketer of apparel and home products focused on serving the needs of the growing market segment of women and men over the age of 55. Through a portfolio of 17 brands, the Debtors offer apparel, accessories and shoes, as well as home, garden and health products. The Debtors employ approximately 4,260 employees; approximately 3,000 are full-time and approximately 1,260 are part-time. The Debtors manage their businesses from headquarters located in Beverly, Massachusetts. In addition, the Debtors maintain seven brand headquarters located throughout the United States.[3]

[3] Specifically, the Debtors' seven brand headquarters are located at the following locations: (a) Arizona Mail Order Company, Inc., Tucson, Arizona 85710; (b) Blair LLC, Warren, Pennsylvania; (c) Draper's & Damon's LLC, Irvine, California; (d) Haband Company, LLC, Oakland, New Jersey; (e) Johnny Appleseed's Inc., Beverly, Massachusetts; (f) Norm Thompson Outfitters, Inc., Hillsboro, Oregon; and (g) Wintersilks, LLC, Madison, Wisconsin.

8. The Debtors' collection of specialty clothing, footwear, household and health brands for women and men includes Bedford Fair Lifestyles™, Blair™, Draper's & Damon's™, Haband!™, Monterey Bay™ and Norm Thompson™. Over the last five years, the Debtors have selectively acquired businesses and brands that strategically add distribution channels and vertical integration opportunities through new product offerings and entry into new markets. The Debtors have also built their businesses through market share gains, new product development and operational improvements that have resulted from vertical integration, operational efficiencies and savings from increasing scale. The Debtors had approximately $881 million in net sales in 2010, and approximately $954 million in net sales in 2009.[4]

B. Reason for the Filing of these Chapter 11 Cases

9. As discussed in Part III herein, although the foundation of the Debtors' business model remains intact and the Debtors' core operations remain strong, the Debtors' top-line sales decline, driven by a challenging consumer economy, and combined with a significantly leveraged balance sheet, led to the Debtors' inability to service their prepetition secured indebtedness and remain current with their trade obligations. As of the end of the Debtors' most recent fiscal year, which ended on December 25, 2010, the Debtors had approximately $725.1 million in prepetition funded secured and unsecured indebtedness, which carried a total annual interest expense of approximately $52 million.

10. As discussed in detail below, the Debtors have been proactive in exploring all possibilities to restructure their obligations, including an attempted out-of-court restructuring and

[4] References to financial information contained in this declaration are based on the Debtors' consistently maintained internal reporting practices, and not in accordance with generally accepted accounting principles used in the United States.

exploring a sale of the company through prepetition marketing efforts. Notwithstanding significant efforts to avoid the commencement of these chapter 11 cases, a restructuring of the Debtors' businesses outside of chapter 11 could not be achieved. The Debtors, in turn, engaged in extended negotiations with their secured lenders to ensure an expeditious restructuring of the Debtors' obligations and continuation of their businesses as a going concern through chapter 11.

C. Commencement of the Chapter 11 Cases

11. On the Petition Date, each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors have also filed a motion seeking joint administration of these chapter 11 cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "***Bankruptcy Rules***") and Rule 1015-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware.

12. Consistent with the terms of the Plan, and as described herein, through these chapter 11 cases the Debtors seek to efficiently reduce the substantial debt burden that hinders their ability to effectively compete in a competitive market that has been challenged by overall economic conditions. A successful restructuring will allow the Debtors to concentrate their resources on generating revenue and expanding market share. To this end, the Debtors and their advisors have spent more than six months negotiating with the Debtors' key creditor constituencies to ensure their businesses continue to operate as going concerns.

13. These negotiations have been successful. The Support Agreement (attached hereto as **Exhibit A**) contemplates an expedited restructuring, to be consummated either through the Plan or the Sale, and binds the Consenting Lenders to support the Plan if the Debtors are successful in taking the steps necessary to meet the milestone deadlines included therein. In short, the Support Agreement enables the Debtors to enter into chapter 11 with the confidence to

ensure a quick and successful exit. The Debtors and the Consenting Lenders firmly believe that the Plan will maximize the value of their estates and will provide the best recovery to the Debtors' stakeholders.

14. To facilitate their restructuring and provide assurances to key constituents such as employees, customers and vendors that the Debtors' operations will continue uninterrupted, the Debtors have developed key strategies to effectuate a smooth transition of their operations into chapter 11, including the following:

- developing and presenting a comprehensive request for the "first-day" relief requested in the First Day Pleadings, including authority to access $140 million of postpetition financing and seeking relief targeted to ensure that employee obligations such as wages and benefits are honored, critical vendors are immediately paid and customer programs are continued (all as explained in detail on **Exhibit B** attached hereto and incorporated herein by reference);

- moving forward on an expedited basis with a pre-negotiated chapter 11 plan of reorganization or, if necessary, a sale of substantially all of the Debtors' assets, consistent with the terms of the Support Agreement;

- implementing a comprehensive communications plan so that all of the Debtors' key constituents know where they stand and are aware of the commencement of these chapter 11 cases and the Debtors' intentions to proceed as expeditiously as possible to exit; and

- hiring and seeking to retain qualified and experienced professionals to assist the Debtors with their reorganization plans, including the law firms of Kirkland & Ellis LLP and Klehr Harrison Harvey Branzburg LLP as the Debtors' bankruptcy counsel, Moelis & Company LLC ("***Moelis***") as the Debtors' financial advisor and Alvarez & Marsal North America, LLC, as the Debtors' restructuring advisor.

15. The following Parts of this declaration and the exhibits attached hereto provide additional information regarding and the facts supporting the Debtors' chapter 11 cases and the relief sought in the various First Day Pleadings.

II.
OVERVIEW OF THE DEBTORS' BUSINESSES AND CAPITAL STRUCTURE

A. The Debtors' Business Operations

16. The Debtors are a direct marketer of women's and men's apparel as well as home and lifestyle goods with a focus on the over-55 population. The Debtors market their brands through mail-order catalogs, internet sites and retail stores. According to internal estimates, the Debtors command a 21% share of the over-60 direct apparel and accessories market, a segment that is expected to grow as "baby boomers" (ages 44 through 64) mature. Indeed, the Debtors are well positioned to serve a growing demographic, as the aging "baby boomer" population is expected to grow from approximately 57 million in 2010 to approximately 76 million in 2020.

i. The Debtors' Brands and Business Segments

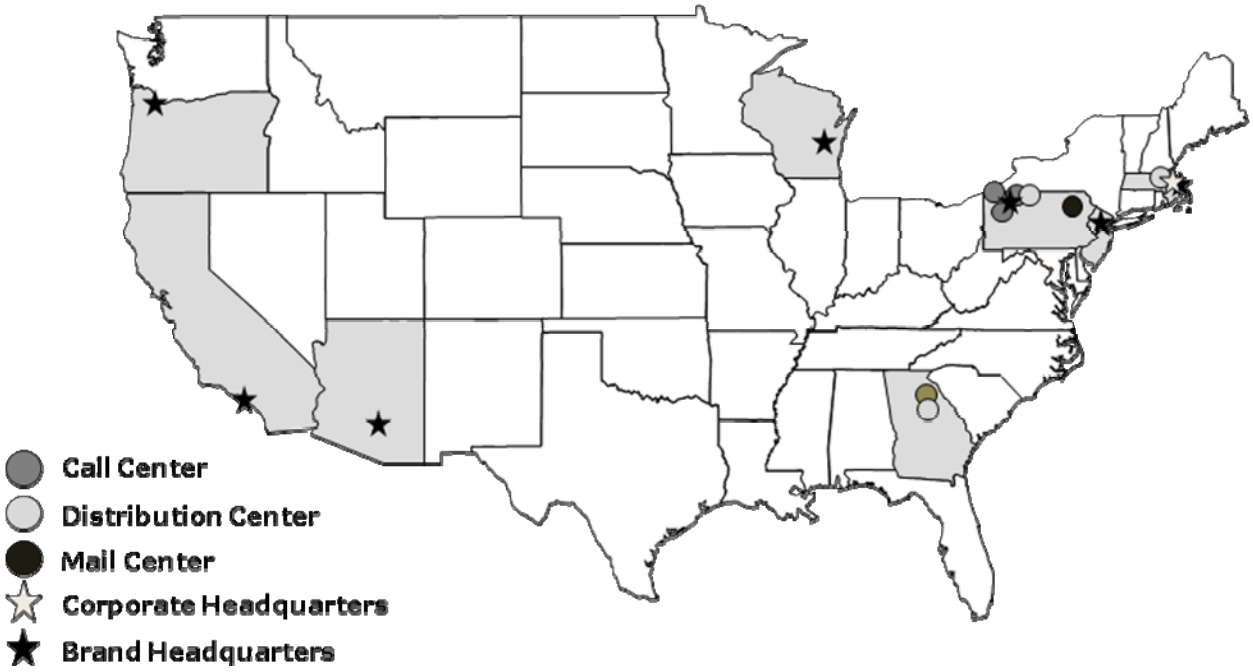
17. The Debtors market seventeen brands in three operating segments. The "**Premium Group**" of brands includes Appleseed's™, The TOG Shop™, Monterey Bay™, Sahalie™, Draper's & Damon's™, LinenSource™, Norm Thompson™ and Wintersilks™, targeting consumers searching for classic apparel and home products. These brands appeal to a diverse range of tastes through differing product line themes, including classic New England attire, mature conservative classic apparel, unique and casual dress, upscale fashion, quality bedding and lifestyle solutions and active and outdoors attire for baby boomers.

18. The Debtors' "**Value Group**" of brands includes Blair™, Haband!™ and A•M•O™, targeting consumers searching for high-value, low-price products. The Value Group focuses on marketing quality apparel and home products to older cost-conscious purchasers.

19. The Debtors' also market lifestyle products under their "**Solutions Group**" of brands, which includes Solutions™ and Gold Violin™. The Gold Violin™ brand focuses on practical products targeted at women over the age of 50 who manage a household designed to make everyday activities easier. The Solutions™ brand markets products that help seniors and "baby boomers" to remain active, independent and living comfortably in their own home.

ii. Business Channels

20. The Debtors market their products through multiple channels. In 2010, the Debtors estimate that they circulated more than 450 million catalogs and letter mailers. In addition, the Debtors maintain websites for each product brand to allow for online purchasing. The Debtors also maintain 55 retail stores, four call centers and three distribution centers (all located in the United States). The following map illustrates the Debtors' various operations throughout the United States:



B. The Debtors' Prepetition Organizational Structure

21. AIH is the direct or indirect parent of each of the other 27 Debtors. AIH is a wholly-owned subsidiary of Orchard Brands Corporation ("***Orchard Brands Corp.***"), which, in turn, is a wholly-owned subsidiary of Orchard Brands Topco LLC ("***Orchard TopCo***"). Orchard Brands Corp. and Orchard TopCo, which are holding companies that are not obligated on the Debtors' prepetition indebtedness obligations, are not Debtors in these chapter 11 cases.

22. In 2005, investment funds managed by Golden Gate Private Equity, Inc. ("***Golden Gate***") acquired AIH. As of the Petition Date, investment funds managed by Golden Gate indirectly own approximately 68.4% of the outstanding and issued equity interests of Orchard TopCo. In 2007, AIH acquired Blair Corporation n/k/a Blair LLC and its subsidiaries (the "***Blair Acquisition***"), each of which is a Debtor in these chapter 11 cases. At the time of the Blair Acquisition, the Debtors entered into three secured facilities on April 30, 2007, which together comprise the Debtors' prepetition secured debt obligations, as described below. In July 12, 2007, the Debtors amended each of the secured facilities to facilitate syndication of the loans under those facilities.

23. A chart depicting the Debtors' prepetition organizational structure, including the non-Debtor entities Orchard Brands Corp. and Orchard TopCo, is attached hereto as **Exhibit C**.[5]

C. The Debtors' Prepetition Capital Structure

24. As of the end of the Debtors' fiscal year, which ended on December 25, 2010, the Debtors had outstanding secured and unsecured indebtedness totaling approximately

[5] Although depicted on **Exhibit C**, Orchard Brands Global Sourcing Limited(a Hong Kong entity) is not a Debtor in these chapter 11 cases. The Debtors expect to provide additional reporting with respect to this entity during these chapter 11 cases as necessary to comply with the Bankruptcy Rules, including Bankruptcy Rule 2015.3.

$725.1 million. These obligations include (a) $38.4 million outstanding under the ABL Credit Agreement (defined below); (b) $324.1 million outstanding under the First Lien Credit Agreement (defined below); (c) $289.3 outstanding under the Second Lien Purchase Agreement (defined below); and (d) with respect to AIH only, $73.3 outstanding under the AIH Note Purchase Agreement (defined below).

25. The chart below summarizes the Debtors' prepetition indebtedness, including approximate current outstanding amounts as of December 25, 2010.

Debt Obligation	Original Amount	Approximate Amount Outstanding[6] as of December 25, 2010	Maturity Date	Security Status
ABL Credit Agreement	N/A	$38.4 million[7]	April 2012	Secured
First Lien Credit Agreement	$335 million	$324.1 million	April 2013	Secured
Second Lien Purchase Agreement	$250 million	$289.3 million	April 2014	Secured
AIH Note Purchase Agreement	$50 million	$73.3 million	April 2014	Unsecured

i. Funded Secured Debt

a. The ABL Credit Agreement

26. Each of the Debtors is obligated under the $125 million credit agreement (as amended, the "***ABL Credit Agreement***"), dated as of April 30, 2007, among American Capital Strategies, Ltd. and UBS Securities LLC, as joint lead arrangers and joint bookrunners, American Capital Financial Services, Inc. as syndication agent, UBS Loan Finance LLC, as

6 These amounts are net of unamortized discounts.

7 Includes issued and outstanding letters of credit.

swingline lender and UBS AG, Stamford Branch, as issuing bank, administrative agent and co-collateral agent (the "***ABL Administrative Agent***") and Wells Fargo Retail Finance, LLC as co-collateral agents and the lenders party thereto from time to time (the "***ABL Lenders***").[8]

27. The ABL Credit Agreement includes: (a) a revolving credit facility in the amount of approximately $125 million; (b) a $20 million sublimit for the issuance of letters of credit; and (c) a $20 million sublimit for swing line loans. A total of approximately $38.4 million was outstanding under the ABL Credit Agreement as of December 25, 2010.

28. Pursuant to a security agreement dated April 30, 2007 (the "***ABL Security Agreement***"), the obligations under the ABL Credit Agreement are secured by each of Debtors' accounts, equipment, goods, inventory and fixtures, documents, instruments, chattel paper, letters of credit, letter-of-credit rights, securities collateral, investment property, intellectual property collateral, general intangibles, cash, deposit accounts and the proceeds and products of each of the foregoing categories of collateral (collectively, and as defined more fully in section 2.1 of the ABL Security Agreement, the "***ABL Collateral***"). The parties entered into an amendment to the ABL Credit Agreement on July 12, 2007.

b. The First Lien Credit Agreement

29. Each of the Debtors is obligated under the $335 million term loan credit agreement (as amended, the "***First Lien Credit Agreement***"), dated as of April 30, 2007, among American Capital Strategies, Ltd. and UBS Securities LLC, as joint lead arrangers and joint bookmanagers, UBS Securities LLC, as syndication agent, Wilmington Trust FSB as successor

[8] Specifically, the following Debtors are borrowers under the ABL Credit Agreement: Arizona Mail Order Company, Inc., Bedford Fair Apparel, Inc., LM&B Catalog, Inc., Monterey Bay Clothing Company, Inc., Draper's & Damon's, LLC, Norm Thompson Outfitters, Inc., Gold Violin LLC, Haband Company LLC, Johnny Appleseed's, Inc., Wintersilks, LLC, Blair LLC, Orchard Brands Insurance Agency LLC and Linen Source Acquisition LLC. The remaining Debtors are guarantors of the obligations under the ABL Credit Agreement.

to American Capital Financial Services, Inc., as administrative agent (the "***First Lien Administrative Agent***") and the lenders party thereto from time to time (the "***First Lien Lenders***").[9]

30. A total of approximately $324.1 million was outstanding under the First Lien Credit Agreement as of December 25, 2010.

31. Pursuant to a security agreement dated April 30, 2007 (the "***First Lien Security Agreement***"), the obligations under the First Lien Credit Agreement are secured by each of the Debtors' accounts, equipment, goods, inventory and fixtures, documents, instruments, chattel paper, letters of credit, letter-of-credit rights, securities collateral, investment property, intellectual property collateral, general intangibles, cash, deposit accounts and the proceeds and products of each of the foregoing categories of collateral (collectively, and as defined more fully in section 2.1 of the First Lien Security Agreement, the "***First Lien Collateral***"). Additionally, the Intercreditor Agreement (as defined below) provides that the lien granted to the First Lien Administrative Agent and the First Lien Lenders with respect to the Debtors' equipment, mortgaged premises, fixtures, intellectual property collateral and capital stock collateral (and as further defined in section I of the Intercreditor Agreement, the "***Term Loan Priority Collateral***"), is senior to any liens on the Term Loan Priority Collateral securing the ABL Lenders and Second Lien Purchasers. The parties entered into an amendment to the First Lien Credit Agreement on July 12, 2007.

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[9] Specifically, the following Debtors are borrowers under the First Lien Credit Agreement: Arizona Mail Order Company, Inc., Bedford Fair Apparel, Inc., LM&B Catalog, Inc., Monterey Bay Clothing Company, Inc., Draper's & Damon's, LLC, Norm Thompson Outfitters, Inc., Gold Violin LLC, Haband Company LLC, Johnny Appleseed's, Inc., Wintersilks, LLC, Blair LLC, Orchard Brands Insurance Agency LLC and Linen Source Acquisition LLC. The remaining Debtors are guarantors of the outstanding obligations under the First Lien Credit Agreement.

c. The Second Lien Purchase Agreement

32. Each of the Debtors is obligated under the $250 million note purchase agreement (as amended, the "***Second Lien Purchase Agreement***" and, together with the ABL Credit Agreement and the First Lien Credit Agreement, the "***Secured Credit Agreements***"), dated April 30, 2007, among American Capital Strategies, Ltd., as sole lead arranger and bookmanager, American Capital, Ltd. (successor by merger to American Capital Financial Services, Inc.), as documentation agent and administrative agent (the "***Second Lien Administrative Agent***," and together with the ABL Administrative Agent and the First Lien Administrative Agent, the "***Administrative Agents***") and purchasers party thereto from time to time (the "***Second Lien Purchasers***" and, together with the ABL Lenders and the First Lien Lenders, the "***Secured Lenders***").[10]

33. Pursuant to a security agreement dated April 30, 2007 (the "***Second Lien Security Agreement***"), the obligations under the Second Lien Purchase Agreement are secured by each of the Debtors' accounts, equipment, goods, inventory and fixtures, documents, instruments, chattel paper, letters of credit, letter-of-credit rights, securities collateral, investment property, intellectual property collateral, general intangibles, cash, deposit accounts and the proceeds and products of each of the foregoing categories of collateral (collectively, and as defined more fully in section 2.1 the Second Lien Security Agreement, the "***Second Lien Collateral***"). The parties entered into an amendment to the Second Lien Purchase Agreement on July 12, 2007.

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[10] Specifically, the following Debtors are issuers under the Second Lien Purchase Agreement: Arizona Mail Order Company, Inc., Bedford Fair Apparel, Inc., LM&B Catalog, Inc., Monterey Bay Clothing Company, Inc., Draper's & Damon's, LLC, Norm Thompson Outfitters, Inc., Gold Violin LLC, Haband Company LLC, Johnny Appleseed's, Inc., Wintersilks, LLC, Blair LLC, Orchard Brands Insurance Agency LLC and Linen Source Acquisition LLC. The remaining Debtors are guarantors of the outstanding obligations under the Second Lien Purchase.

34. A total of approximately $289.3 million was outstanding under the Second Lien Purchase Agreement as of December 25, 2010.

d. Intercreditor Agreement

35. The Administrative Agents are party to an intercreditor agreement dated April 30, 2007 (as amended, the "***Intercreditor Agreement***"). Among other things, the Intercreditor Agreement sets forth the relative priority of the Secured Lenders' respective security interests in each of the ABL Collateral, the First Lien Collateral and the Second Lien Collateral. Specifically, the Intercreditor Agreement provides, in pertinent part, that:

- the lien granted to the ABL Administrative Agent and the ABL Lenders pursuant to the ABL Security Agreement is senior in all respects to the liens granted to the First Lien Administrative Agent, the First Lien Lenders, the Second Lien Administrative Agent and the Second Lien Purchasers, except with respect to Term Loan Priority Collateral (the "***ABL Priority Collateral***");

- the lien granted to the First Lien Administrative Agent and the First Lien Lenders with respect to the ABL Priority Collateral and the Term Loan Priority Collateral is senior to the lien granted to the Second Lien Administrative Agent and Second Lien Purchasers securing the obligations under the Second Lien Purchase Agreement; and

- the lien granted to the Second Lien Administrative Agent and the Second Lien Purchasers with respect to the Term Loan Priority Collateral is senior to the lien granted to the ABL Agent and the ABL Lenders securing the obligations under the ABL Credit Agreement as to the Term Loan Priority Collateral (but junior to the lien granted to the First Lien Administrative Agent and First Lien Lenders securing the obligations under the First Lien Credit Agreement secured in such collateral).

ii. The AIH Notes

36. On July 12, 2007, AIH, as issuer, entered into a $50 million unsecured note purchase agreement with American Capital, Ltd. (successor by merger to American Capital

Financial Services, Inc.), as administrative agent and American Capital Strategies, Ltd., as sole lead arranger and bookrunner (the "***AIH Note Purchase Agreement***"), and the purchasers party thereto from time to time (the "***AIH Note Purchasers***"). A total of approximately $73.3 million was outstanding under the AIH Note Purchase Agreement as of December 25, 2010.

37. The obligations under the AIH Note Purchase Agreement are unsecured. None of the Debtors other than AIH is obligated under the AIH Note Purchase Agreement. Additionally, pursuant to the subordination agreement (the "***Subordination Agreement***") dated July 12, 2007, the obligations under the AIH Note Purchase Agreement are subordinate and subject in right and time of payment to the prior discharge of the obligations under the ABL Credit Agreement, the First Lien Credit Agreement and the Second Lien Purchase Agreement.

III.
COMMENCEMENT OF THE DEBTORS' PRE-NEGOTIATED CHAPTER 11 CASES

A. Adverse Market Conditions and Changes in Business Practices

38. The Debtors operate in a competitive industry that is in the midst of a sustained recession that has caused business fundamentals to deteriorate. Adverse economic conditions and increased levels of unemployment have led to a decrease in consumer confidence and a decline in consumer spending.

39. The current market difficulties facing the retail industry have been widely recognized. For example, the University of Michigan Index of Consumer Sentiment, a survey that has estimated the future course of the national economy since 1946, indicated in November 2010 that consumer confidence dropped from 96.9 (out of 100) in January 2007 to 56.4 in June 2008, representing a 42% decline in just 18 months. Consumer confidence remained in the mid-60s in 2009 (down 33% from 2007) and slightly increased to the low-70s in first quarter of

2010.[11] Additionally, the U.S. Census Bureau's retail trade figures show combined men's and women's retail clothing store sales fell by more than 15%, from $49.3 billion in 2007 to an estimated $41.8 billion in 2010.[12] The Debtors' customer base - which is largely comprised of individuals who are retired and rely on investment income for consumption - has been adversely affected by declines in investment securities in the United States and around the world.[13]

40. Notwithstanding poor market conditions, the Debtors fared relatively well during the early part of the current economic recession, through strategic initiatives and synergies implemented across their various brands. For example, company-wide EBITDA improved from approximately $78 million in 2008 to approximately $87.4 million in 2009.

41. Nonetheless, following the Debtor's strong performance in 2008 and 2009, the Debtors suffered a steep decline in their overall operations during 2010. In particular, the Debtors experienced weakness in the Value Group, which markets to the value-oriented, lower income customer in the 55-year old segment and is traditionally the largest of the Debtors' business groups. Specifically, the Debtors' Value Group experienced (a) decreased net sales from $615.6 million in 2009 to $520.2 million in 2010, which represents a 15.5% decline and (b) decreased EBITDA from $65.9 million in 2009 to $22.3 million in 2010, which represents a 66.2% decline.[14] In addition to weakness in the Value Group, the Debtors' operations overall

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[11] *See* Thomson Reuters/University of Michigan, 2010 Annual Table 1. The Index of Consumer Sentiment, http://www.sca.isr.umich.edu/documents.php?c=tr.

[12] *See* U.S. Census Bureau, August 2010 Monthly Retail Trade and Food Services Report, http://www.census.gov/retail/ (follow "Retail and Food Services Sales: Excel (1992-present)" hyperlink).

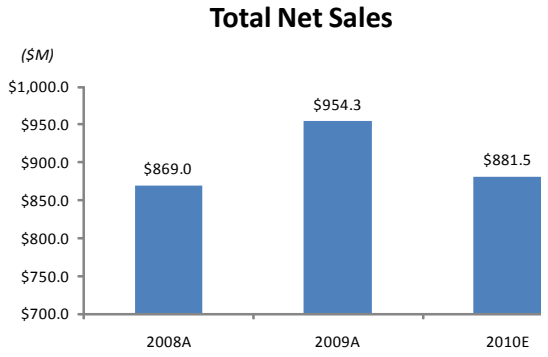
[13] Many of the Debtors' customers also rely on income from federal Social Security, which remained relatively flat during 2010, and from certificates of deposit, the current rate for which is nominal.

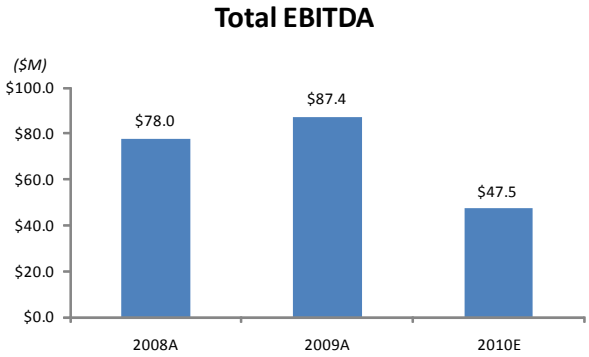
[14] The Debtors' research and data reveal that households representative of the Value Group customer base are generally more pessimistic with respect to the economy than customers in the Debtors' other businesses. (Continued…)

experienced a significant decline in income received in connection with third-party business initiatives.

42. Conversely, and demonstrating the continued viability and value inherent in the Debtors' businesses, the Premium Group, which markets to the more fashion-conscious customer within the segment, experienced (a) increased net sales from $338.7 million in 2009 to $361.3 million in 2010, which represents a 6.7% improvement and (b) increased EBITDA from $21.5 million in 2009 to $25.2 million in 2010, which represents a 17.2% improvement.

43. As illustrated in the charts below, the Debtors estimate that combined EBITDA for 2010 will be approximately $47.5 million, down approximately 45.7% when compared to the previous year.





B. The Debtors' Prepetition Restructuring Efforts, Continuing Operational Difficulty and Need for Additional Liquidity

44. Before the Petition Date, the Debtors took significant steps to reduce costs and improve efficiencies. These initiatives have included exiting certain brick-and-mortar retail

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Additionally, average household income across the customers that are representative of the Debtors' three business groups has been most pronounced in the Value Group, which experienced a decline in average household income of approximately 4.1% for the period beginning in April 2009 and ending October 2010. By way of comparison, the Debtors estimate that during the same period average household incomes for the customers that are representative of the Solutions Group and the Premium Group have declined by 1.3% and 2.4%, respectively.

operations, downsizing unproductive physical locations, reducing work forces, shutting down and consolidating distribution centers as part of an ongoing effort to consolidate legacy brand information technology systems and brand operations into a single streamlined platform.[15] For example, in October/November 2010, the Debtors terminated approximately 23 employees from their A•M•O™ business line and 16 information technology employees.

45. As a result of a decline in the Debtors' growth during 2010, however, the Debtors experienced constrained liquidity and have been unable to comply with certain covenants under the ABL Credit Agreement, the First Lien Credit Agreement and the Second Lien Purchase Agreement. Specifically, as of the end of June 2010, the Debtors were unable to satisfy the maximum "Consolidated Senior Leverage Ratio" covenant under the ABL Credit Agreement and the First Lien Credit Agreement, leading to the occurrence of defaults and cross-defaults under each of the ABL Credit Agreement, the First Lien Credit Agreement and the Second Lien Purchase Agreement.

46. Consequently, in the third quarter of 2010, the Debtors entered into a series of forbearance agreements (collectively, the "***Forbearance Agreements***") with the Administrative Agents and Secured Lenders. Following entry into the Forbearance Agreements, the Debtors worked closely with the Administrative Agents, the Secured Lenders and their respective advisors to explore strategic options in an effort to achieve a restructuring of the Debtors' prepetition obligations. During this time, the Debtors and their advisors engaged in an ongoing discourse and negotiations with counsel and the advisors to the ABL Administrative Agent, the First Lien Administrative Agent and the Second Lien Administrative Agent.

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[15] In particular, the Debtors have previously consolidated and decreased their distribution centers from eleven to three and their call centers from twelve to four.

47. Additionally, in October and November 2010, the Debtors, led by Moelis, commenced a process to market the Debtors' assets, which included preparing and distributing a presentation to potential third-party purchasers of the Debtors' business operations. Although Moelis contacted over 25 potential purchasers, only a handful of indicative offers were received and none presented a clear path forward in the time frame needed to facilitate a comprehensive restructuring.

48. The Debtors' restricted access to liquidity during this period placed significant stress on business operations, including the Debtors' relationships with specialized third-party vendors and suppliers that are crucial to the Debtors' operations. Because of the demands inherent in the Debtors' highly coordinated production, purchasing, advertising and sale process, the Debtors rely on suppliers and vendors uniquely situated to provide the Debtors with the goods necessary to meet customer demands. As a result of sharp declines in the Debtors' performance over the course of the last year, however, trade vendors and suppliers have begun to impose tightened credit terms on the Debtors, thereby limiting the Debtors' access to key goods and services.

C. The Debtors' Proposed Postpetition Financing

49. The Debtors' restricted access to both cash and trade credit has strained their supply chain and left the Debtors at their breaking point. With dwindling liquidity, the Debtors have been unable to remain current on their trade obligations. As of the Petition Date, the Debtors estimate that they have approximately $115 million outstanding in open accounts payable to trade vendors and suppliers, approximately $60 million of which is past due based upon invoice terms. Maintaining relationships with these vendors and suppliers during the course of these chapter 11 cases, including access to immediate liquidity, will be an important – if not the *most* important – focus of the Debtors following the Petition Date. Indeed, in

connection with these chapter 11 cases, the Debtors are seeking to access new postpetition credit in the form of a $140 million debtor-in-possession facility (the "***Proposed DIP Financing***").[16] The Proposed DIP Financing includes (a) a senior secured first-out revolving credit facility in the amount of $100 million (subject to a borrowing base) ("***Tranche A***") and (b) a senior secured term loan in the initial amount of $35 million, with an additional $5 million available under certain circumstances ("***Tranche B***"). The Debtors seek authority, on an immediate (and interim) basis, to access up $135 million of the Proposed DIP Financing - $100 million under Tranche A and $35 million under Tranche B. A portion of availability under Tranche A will be used to satisfy all outstanding obligations of the Debtors under the ABL Credit Agreement as of the Petition Date; the remaining portion of the availability under Tranche A and the proceeds of Tranche B will be used as needed to fund the Debtors' operations the course of the chapter 11 cases.

50. The Proposed DIP Financing is the cornerstone of the Debtors' restructuring. The Debtors' inability to maintain and stabilize their business operations would result in depleted inventories, missed supply obligations and potentially irreparably damaged customer relationships. This would be particularly damaging with respect to the Debtors' operations as they enter a critical time of year when they begin to implement their business plan for the coming spring season.

D. Overview of the Debtors' Pre-Negotiated Restructuring and Proposed Dual-Track Process

51. While the Secured Lenders agreed under the Forbearance Agreements to temporarily forbear from exercising remedies in connection with defaults under the Secured

[16] A 13-week budget with respect to the Proposed DIP Financing is attached hereto as **Exhibit D**.

Credit Agreements, the Debtors and the Secured Lenders recognized that a comprehensive restructuring was necessary to deleverage the Debtors' balance sheet to ensure the Debtors ability to operate as a going concern. Following discussions that began in July 2010, the Debtors and the Consenting Lenders entered into discussions and negotiations regarding a comprehensive restructuring.

52. Over the course of the last several months, the Debtors and the Consenting Lenders have engaged in extensive discussions that ultimately led to an agreement among the parties as evidenced by the terms of the Plan and the related Support Agreement. The Plan and Support Agreement, which contemplate a "dual track" with respect to the Plan and Sale, provide the framework for a swift restructuring under the Bankruptcy Code.

53. The Plan provides for the reorganization of the Debtors as a going concern and is based on a settlement among the Debtors and the Consenting Lenders. In the event the Plan is confirmed and becomes effective, the Debtors contemplate funding distributions under the Plan as follows:

- a senior secured asset-based revolving facility, referred to in the Plan as the "New ABL Facility," of up to a principal amount of $80 million (approximately $46.2 million of which will be drawn on the Effective Date),[17] which is fully committed as of the Petition Date and will be used to fund the Debtors' ongoing operations post-emergence;

- a new senior secured term loan, referred to in the Plan as the "New Senior Term Loan," in the principal amount of $35 million (or $40 million to the extent the amount of Tranche B is increased as of the Effective Date pursuant to the terms of the DIP Credit Agreement), which represents a conversion of the Proposed DIP Financing's term loan;

[17] The estimated amount of the New ABL Facility assumes the Effective Date occurs on or about April 30, 2011 and includes an estimate of issued and undrawn letters of credit as of that time.

- a new first lien secured term loan referred to in the Plan as the "New First Lien Term Loan," in the principal amount of $200 million;

- a new junior secured term loan referred to in the Plan as the "New Junior Term Loan," in the principal amount of $43 million; and

- the issuance of stock in Reorganized AIH referred to in the Plan as the "New Common Stock."

54. The Plan contemplates the following recoveries to holders of claims against the Debtors:

- DIP Facility Tranche A Lenders will receive will be paid in full, in cash, with proceeds from the New ABL Facility;

- DIP Facility Tranche B Lenders will receive a pro rata share of the New Senior Term Loan;

- First Lien Lenders will receive a pro rata share of (i) the New First Lien Term Loan, (ii) the New Junior Term Loan and (iii) 95% of the New Common Stock (subject to dilution on account of the Management Equity Incentive Program);

- Second Lien Lenders will receive a pro rata share of 5% of the New Common Stock (subject to dilution on account of the Management Equity Incentive Program);

- Holders of Qualified Unsecured Trade Claims will receive payment in accordance with a Qualified Vendor Support Agreement; and

- Holders of General Unsecured Claims and Holders of AIH Note Claims will not receive any distribution on account of such Claims, and Holders of Interests in AIH will not receive any distribution on account of such Interests.

55. The Support Agreement, as well as the terms of the Proposed DIP Financing, seek to ensure that the Debtors move forward with the Plan or, if necessary, the Sale, as expeditiously as possible. Moreover, the Consenting Lenders have agreed to vote their claims in favor of the Plan and refrain from taking any actions that will interfere with, postpone or delay the

implementation of the Plan, so long as the Debtors are pursuing the Plan on the following agreed-upon timeline (collectively, the "***Plan Milestones***"):[18]

a. commencement of the chapter 11 cases on or before January 21, 2011;

b. on the Petition Date, the Debtors are to file (i) the Plan; (ii) the disclosure statement with respect to the Plan (the "***Disclosure Statement***"); and (iii) a motion to approve the Disclosure Statement and certain solicitation materials/procedures (the "***Solicitation Procedures Motion***");[19]

c. objections to approval of the disclosure statement with respect to the Plan (the "***Disclosure Statement***") are due 28 days after the Petition Date (or a later date agreed to by the Debtors and a third party, in consultation with the parties specified in the DIP Credit Agreement and the Support Agreement) (the "***Disclosure Statement Objection Deadline***");

d. the hearing to approve the Disclosure Statement (the "***Disclosure Statement Hearing***") is to be held seven days after the Disclosure Statement Objection Deadline (subject to the Court's availability);

e. the solicitation period with respect to votes to accept or reject the Plan (the "***Solicitation Period***") is to begin within

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[18] The Plan Milestones are attached as **Exhibit C** to the Support Agreement. Additionally, section 8.01(o)(xii) of the credit agreement governing the Proposed DIP Financing (the "***DIP Credit Agreement***") provides that it is an Event of Default (as defined in the DIP Credit Agreement) if the Debtors fail to achieve, comply with or proceed in accordance with, any of the milestones set forth in Schedule 8.01(o) to the DIP Credit Agreement by the dates specified therein (or such later date as may be agreed to by the parties specified in the DIP Credit Agreement). Section 8.01(o) of the DIP Credit Agreement goes on to provide, however, that if the Debtors fail to achieve, comply with or proceed in accordance with, any of the "Plan Milestones" set forth in Schedule 8.01(o) to the DIP Credit Agreement, it is not an Event of Default so long as the Debtors comply with the "Sale Milestones" set forth in Schedule 8.01(o) of the DIP Credit Agreement.

[19] Contemporaneously with the filing of this declaration, the Debtors have filed (a) the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* and (b) the *Debtors' Motion for Entry of an Order (A) Approving the Disclosure Statement; (B) Approving Solicitation Packages and Procedures for the Distribution Thereof; (C) Approving the Forms of Ballots and Manner of Notice; (D) Approving the Voting Record Date, Solicitation Deadline and Voting Deadline; and (E) Establishing Notice and Objection Procedures for Confirmation of the Plan*.

five days after entry of an order approving the Disclosure Statement (the "***Disclosure Statement Order***") is entered;

f. deadlines to vote on the Plan and to object to confirmation of the Plan are to be no later than 35 days after the commencement of the Solicitation Period;

g. the confirmation hearing is to be held 14 days after the Voting Deadline (subject to the Court's availability);

h. the order confirming the Plan (the "***Confirmation Order***") is to be entered no later than 90 days after the Petition Date; and

i. the Effective Date (as defined in the Plan) must occur within 15 days after the entry of the Confirmation Order.[20]

56. In addition to the Plan Milestones set forth above, the Support Agreement also includes the "back-stop" concept of a sale of substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code. More specifically, the Support Agreement contemplates that the Debtors comply with the following agreed-upon timeline with respect to the Sale (collectively, the "***Sale Milestones***"):

a. the Debtors are to file the Sale Motion to approve bidding procedures (the "***Bidding Procedures***") and the Sale no later than five days after the Petition Date;

b. objections to entry of an order approving the Bidding Procedures (the "***Bidding Procedures Order***") are due 28 days after the date on which the Debtors file the Sale Motion (or a later date agreed to by the Debtors and a third party, in consultation with the parties specified in the DIP Credit Agreement and the Support Agreement);

c. the hearing to approve the Bidding Procedures (the "***Bidding Procedures Hearing***") is to be held seven days after the deadline set forth above for the Disclosure Statement Hearing (or the first available date thereafter);

[20] The Plan Milestones identified in sub-paragraphs (c) through (g) are subject to a 5-day grace period.

d. the Bidding Procedures Order is to be entered within five days after the Bidding Procedures Hearing (or later date agreed to by the Debtors and the parties specified in the DIP Credit Agreement and the Support Agreement);

e. if the Disclosure Statement Order is not entered, the Debtors are to proceed with a 30-day marketing process following the entry of the Bidding Procedures Order (with such marking process to include providing information to prospective buyers, as requested by the parties in the DIP Credit Agreement and the Support Agreement) (the "***Marketing Process***"), followed by an auction (the "***Auction***");

f. if the Confirmation Order is not entered, the Debtors are to proceed with the Marketing Process, followed by the Auction; and

g. the hearing to approve the Sale is to occur within five days after the Auction.[21]

57. In sum, the Debtors will only proceed with the Sale in accordance with the Sale Milestones to the extent they are unable to comply with the Plan Milestones.

58. Based on the foregoing, the Debtors have commenced these chapter 11 cases to provide the Debtors with the tools and the opportunity to achieve a restructuring and to prevent further deterioration in the value of their business operations.

IV.
RELIEF SOUGHT IN THE DEBTORS' FIRST DAY PLEADINGS

59. It is critically important for the Debtors to maintain the services, loyalty and goodwill of, among other constituencies, their employees, vendors and customers. Achieving this goal is likely to be particularly challenging while operating in chapter 11. The Debtors have filed First Day Pleadings seeking relief intended to allow the Debtors to effectively transition

[21] Additionally, the Sale Milestones identified in sub-paragraphs (c) through (g) are subject to a 5-day grace period.

into chapter 11 and minimize disruption to the Debtors' business operations, thereby preserving and maximizing the value of the Debtors' estates. Unless this "first day" relief is granted, I believe the Debtors' business operations will suffer significant consequences because parties may refuse to continue to provide services to, or do business with, the Debtors.

60. Several of the First Day Pleadings request authority to pay certain prepetition claims. I am told by my advisors that Bankruptcy Rule 6003 provides, in relevant part, that the Court shall not consider motions to pay prepetition claims during the first 21 days following the filing of a chapter 11 petition, "except to the extent relief is necessary to avoid immediate and irreparable harm." In light of this requirement, the Debtors have narrowly tailored their requests for immediate authority to pay certain prepetition claims in those circumstances where the failure to pay such claims would cause immediate and irreparable harm to the Debtors and their estates. Other relief will be deferred for consideration at a later hearing.

61. I have reviewed each of the First Day Pleadings. The facts stated therein and attached hereto as **Exhibit B** are true and correct to the best of my information and belief, and I believe that the relief sought in each of the First Day Pleadings is necessary to enable the Debtors to operate in chapter 11 with minimal disruption to their business operations and constitutes a critical element in successfully restructuring the Debtors' business.

[Remainder of page intentionally left blank.]

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed on January 19th, 2011.

By: 

T. Neale Attenborough
Chief Executive Officer of Appleseed's Intermediate Holdings LLC

Exhibit A

Support Agreement

RESTRUCTURING SUPPORT AGREEMENT

RESTRUCTURING SUPPORT AGREEMENT (this "Restructuring Support Agreement"), dated as of January 19, 2011, by and among: (i) Appleseed's Intermediate Holdings LLC, a Delaware limited liability company ("AIH"), on behalf of itself and each of its United States domestic subsidiaries (collectively, the "Company"); (ii) the undersigned lenders (the "Consenting First Lien Lenders") under that certain Credit Agreement, dated as of April 30, 2007, among Johnny Appleseed's, Inc. ("JAI") and the other borrowers party thereto, Wilmington Trust FSB, as successor administrative agent (the "First Lien Agent"), the lenders from time to time party thereto and the other agents party thereto (as amended, restated, supplemented or otherwise modified from time to time, the "First Lien Credit Agreement"); (iii) American Capital, Ltd. ("ACAS"), as (a) Consenting First Lien Lender,[1] (b) lender(s) (the "Second Lien Lender") under that certain Credit Agreement, dated as of April 30, 2007, among JAI and the other borrowers thereto, ACAS (successor by merger to American Capital Financial Services, Inc.), as administrative agent (the "Second Lien Agent") (as amended, restated, supplemented or otherwise modified from time to time, the "Second Lien Credit Agreement") and (c) as administrative agent (the "HoldCo Note Agent") under that certain Note Purchase Agreement, dated as of July 12, 2007, among AIH, ACAS (successor by merger to American Capital Financial Services, Inc.) and ACAS as purchaser thereto (as amended, restated, supplemented or otherwise modified from time to time, the "HoldCo Note") and (iv) Stephen P. Walko, as holder of the HoldCo Note (the "HoldCo Noteholder"), transferee of the HoldCo Note. The Consenting First Lien Lenders, ACAS, as Second Lien Lender and HoldCo Note Agent, and the HoldCo Noteholder shall collectively be referred to as the "Consenting Lenders." The Consenting Lenders, the Company and each other Person that becomes a party hereto in accordance with the terms hereof shall be referred to herein individually as a "Party" and, collectively, as the "Parties".

W H E R E A S :

A. Prior to the date hereof, representatives of the Company, the Consenting First Lien Lenders, and ACAS, in its capacity as Second Lien Lender and HoldCo Note Agent discussed consummating a restructuring of the Company's indebtedness and other obligations on terms consistent with those set forth in this Restructuring Support Agreement, the Restructuring Term Sheet (as defined below), which is attached hereto as Exhibit A, and the chapter 11 plan of reorganization (the "Plan"), which is attached hereto as Exhibit B, each of which Exhibits is incorporated herein by reference and made part of this Restructuring Support Agreement (the "Restructuring").

B. It is anticipated that the Restructuring will be implemented through either (1) a solicitation of votes (the "Solicitation") on the Plan pursuant to sections 1125, 1126 and 1145 of the Bankruptcy Code (as defined below) or (2) a 363 Sale (as defined below).

C. This Restructuring Support Agreement, the Restructuring Term Sheet, and the Plan set forth the agreement among the Parties concerning their commitment, subject to the terms and conditions hereof and thereof, to implement and support the Restructuring. In the event the terms

[1] For the avoidance of doubt, "Consenting First Lien Lenders" shall include ACAS, in its capacity as First Lien Lender.

and conditions as set forth in the Restructuring Term Sheet, the Plan and this Restructuring Support Agreement are inconsistent, the terms and conditions contained in the Plan and the Restructuring Term Sheet (as applicable) shall control.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Party, intending to be legally bound hereby, agrees as follows:

1. Definitions. The following terms shall have the following definitions:

"363 Event" has the meaning set forth in Section 5.1 hereof.

"363 Sale" has the meaning set forth in Section 5.2 hereof.

"363 Triggering Event" means the receipt of a notice by the Company from the Majority of Consenting First Lien Lenders notifying the Company of the occurrence of any of the 363 Events listed in Section 5.1.

"ABL Agent" has the meaning set forth in the Plan.

"ABL Lenders" has the meaning set forth in the Plan.

"Affiliate" means, with respect to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean, with respect to any Person, the possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership, limited liability company or other ownership interests, by contract or otherwise) of such Person.

"Affiliated Transferee" means with respect to each Consenting Lender, any Person that, as of the date a Consenting Lender becomes a Party to this Restructuring Support Agreement, is an Affiliate of such Consenting Lender and, as of the date of any Transfer of such Consenting Lender's Claim(s) to such Affiliate, continues to be an Affiliate of that Consenting Lender.

"Automatic Stay" has the meaning set forth in Section 5.5 hereof.

"Ballot" means the ballot distributed with the Disclosure Statement for voting on the Plan.

"Bankruptcy Code" means title 11 of the United States Code, 11 U.S.C. §§101 *et seq*.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware.

"Business Day" means any day other than Saturday, Sunday and any day that is a legal holiday or a day on which banking institutions in New York, New York are authorized by law or other governmental action to close.

"Chapter 11 Cases" means the voluntary cases to be commenced by the Company pursuant to chapter 11 of the Bankruptcy Code.

"Claim" means a claim held by a Consenting Lender in its capacity as such.

"Commencement Date" means the date the Chapter 11 Cases of the Company are commenced.

"Company" has the meaning set forth in the preamble hereof.

"Confirmation Order" means the order entered by the Bankruptcy Court confirming the Plan, including all exhibits, schedules, appendices and related documents, each in form and substance reasonably acceptable to each Consenting First Lien Lender holding 10% or more of the First Lien Claims.

"Consenting Lenders" has the meaning set forth in the preamble hereof; and any holder of a Claim who takes the actions required of a transferee in accordance with Section 6 hereof.

"Debtors" means, individually or collectively, AIH and each of its 27 United States domestic direct and indirect subsidiaries which commence a Chapter 11 Case under the Bankruptcy Code.

"DIP Credit Agreement" means that certain debtor-in-possession credit agreement providing a (i) senior secured, super-priority debtor-in-possession revolving credit financing in the aggregate principal amount of $100,000,000 to the Debtors, which shall, subject to entry of the Interim DIP Order or the Final DIP Order, as applicable, be entered into by and between the Debtors, the ABL Agent and the ABL Lenders, in their capacity as lenders thereunder (the "Tranche A Facility") and (ii) senior secured, super-priority last out debtor-in-possession term loan in the aggregate principal amount of $40,000,000 to the Debtors, which shall be entered into by and between the Debtors and certain First Lien Lenders (the "Tranche B Facility").

"Disclosure Statement" means the disclosure statement in respect of the Plan.

"Effective Date" has the meaning set forth in the Plan.

"Final DIP Order" means the order of the Bankruptcy Court entered in the Chapter 11 Cases after a final hearing or such other proceedings as approved by the Bankruptcy Court which order shall be in form and substance reasonably acceptable to each Consenting First Lien Lender holding 10% or more of the First Lien Claims, and which has not been reversed, vacated, rescinded or stayed, together with all extensions, modifications and amendments thereto, in form and substance reasonably acceptable to each Consenting First Lien Lender holding 10% or more of the First Lien Claims, which, among other

matters but not by way of limitation, authorizes the Debtors to execute, deliver and perform their obligations under the DIP Credit Agreement.

"First Lien 363 Termination Event" means (x) the occurrence of a First Lien Plan Termination Event or (y) (i) the receipt of a notice by the Company from the Majority of Consenting First Lien Lenders indicating that (ii) the Company has failed to perform, or otherwise comply with, its obligations under Section 5.2 of this Restructuring Support Agreement after a 363 Triggering Event, (iii) the receipt of a notice by the Company from the Majority of Consenting First Lien Lenders that the winning bid in a 363 Sale after a 363 Triggering Event provides for a less favorable treatment for any First Lien Claims or Tranche B DIP Claims than is provided for in the Restructuring Term Sheet and the Plan, or (iv) the receipt of a notice by the Company from ACAS that the winning bid in a 363 Sale after a 363 Triggering Event provides for a less favorable treatment for Second Lien Note Claims than is provided for in the Restructuring Term Sheet and the Plan.

"First Lien Claim" means any Claim derived from or based upon the First Lien Credit Agreement.

"First Lien Plan Termination Event" means the date a Final Order is entered avoiding, or otherwise invalidating any or all of the liens securing the Company's obligations under the First Lien Credit Agreement.

"First Lien Lender" means a lender under the First Lien Credit Agreement.

"Final Order" has the meaning set forth in the Plan.

"HoldCo Note Agent" has the meaning set forth in the preamble hereof.

"HoldCo Note" has the meaning set forth in the preamble hereof.

"HoldCo Noteholder" has the meaning set forth in the preamble hereof.

"HoldCo Note Claim" means a Claim arising under the HoldCo Note.

"Interim DIP Order" means the order of the Bankruptcy Court, which shall be in form and substance reasonably acceptable to each Consenting First Lien Lender holding 10% or more of the First Lien Claims, entered in the Chapter 11 Case after an interim hearing, which, among other matters but not by way of limitation, authorizes the Debtors to, on an interim basis, execute, deliver and perform their obligations under the DIP Credit Agreement.

"Majority of Consenting First Lien Lenders" means Consenting First Lien Lenders holding more than 50% of the aggregate principal amount of outstanding obligations under the First Lien Credit Agreement held by the Consenting First Lien Lenders.

"Milestones" has the meaning set forth in Section 5.1(c) hereof and are included on Exhibit C attached hereto.

"Outside Date" means June 30, 2011, unless such date is extended by written agreement of each Consenting First Lien Lender holding 10% or more of the First Lien Claims.

"Party" or "Parties" has the meaning set forth in the preamble hereof.

"Person" means an individual, a partnership, a joint venture, a limited liability company, a corporation, a trust, an unincorporated organization, a group or any other legal entity or association.

"Plan Supplement" shall have the meaning ascribed to such term in the Plan.

"Restructuring Support Agreement" has the meaning set forth in the preamble hereof.

"Restructuring Term Sheet" means that certain term sheet, including all exhibits attached thereto, containing material terms and provisions of the Restructuring that are incorporated into the Plan or that may be effectuated pursuant to a credit bid submitted by the First Lien Agent in a 363 Sale in the event of a 363 Triggering Event, a copy of which is attached hereto as Exhibit A, and incorporated by reference and made a part of this Restructuring Support Agreement, as the same may be modified, amended or changed from time to time by agreement among each Consenting First Lien Lender holding 10% or more of the First Lien Claims; provided, however, that any change to the Restructuring Term Sheet that adversely affects the Company in a material manner may only be made with the Company's consent.

"Reorganized Debtors" means, collectively, each of the Debtors or any successors thereto by merger, consolidation, conversion or otherwise, on or after the Effective Date.

"Restructuring" has the meaning set forth in clause A of the recitals hereto.

"Second Lien Agent" has the meaning set forth in the recitals hereto.

"Second Lien Lender" means a lender under the Second Lien Credit Agreement.

"Second Lien Note Claim" means any Claim derived from or based upon the Second Lien Note Purchase Agreement.

"Tranche A Agent" means the administrative agent under the Tranche A Facility.

"Tranche A DIP Claim" means a Claim for payment under the Tranche A Facility and all agreements and instruments relating to the foregoing (including, but not limited to, any guarantees with respect thereto).

"Tranche A Lender" means a lender under the Tranche A Facility.

"Tranche B Agent" means the administrative agent under the Tranche B Facility.

"Tranche B DIP Claim" means a Claim for payment under the Tranche B Facility and all agreements and instruments relating to the foregoing (including, but not limited to, any guarantees with respect thereto).

"Tranche B Lender" shall mean a lender under the Tranche B Facility.

"Transfer" has the meaning set forth in Section 6 hereof.

2. [Reserved.]

3. Commitments of Lenders.

3.1 [Reserved.]

3.2 Commitment of the Consenting First Lien Lenders. Provided that the Plan, Disclosure Statement and related documents are consistent with the Restructuring Term Sheet and no material modifications have been made to the Plan, except as provided for in Section 17 herein, each Consenting First Lien Lender (severally and not jointly) agrees that:

(a) following the commencement of the Chapter 11 Cases and unless a First Lien Plan Termination Event or a 363 Triggering Event has occurred (and has not been rescinded) and further provided that such Consenting First Lien Lender has been solicited pursuant to an order of the Bankruptcy Court, it shall vote all First Lien Claims and Tranche B DIP Claims, as applicable, now or hereafter beneficially owned by such Consenting First Lien Lender and any of its Affiliates or any Person for which it now or hereafter serves as the nominee, investment manager or advisor for beneficial holders thereof, in favor of the Plan in accordance with the applicable procedures set forth in the solicitation materials, and timely return a duly-executed Ballot in connection therewith, and it shall not, directly or indirectly in respect of such First Lien Claims and Tranche B DIP Claims: (i) engage in any legal proceeding to object to, or interfere with, acceptance or implementation of the Restructuring in accordance with the Plan; (ii) seek, solicit, support or encourage any plan, sale, proposal or offer of dissolution, winding up, liquidation, reorganization, merger or restructuring of the Company (other than as provided in the Restructuring Term Sheet, the Plan, or this Restructuring Support Agreement); (iii) take any actions inconsistent with, or that would delay approval or confirmation of, the Plan, the Disclosure Statement or any related documents; (iv) pursue or initiate or have initiated on its behalf, any litigation or proceeding of any kind to foreclose on any collateral under the First Lien Credit Agreement or the DIP Credit Agreement, as applicable; or (v) encourage any Person, including, without limitation, the First Lien Agent or the Tranche B DIP Agent, as applicable to undertake any action set forth in clauses (i), (ii), (iii) and (iv) herein;

(b) after the occurrence of a 363 Triggering Event (that has not been rescinded) and provided a First Lien 363 Termination Event has not occurred, it shall take all

actions reasonably necessary to facilitate the expedient consummation of the Restructuring pursuant to the 363 Sale, including (x) directing the First Lien Agent and the Tranche B Agent to consent to the 363 Sale, (y) directing the First Lien Agent to attend the auction and submit one or more credit bids in an amount equal to all or a portion of the First Lien Claim until the First Lien Agent is selected by the Debtors as having submitted the highest and best bid, and (z) directing the First Lien Agent to implement the terms of the Restructuring, including without limitation the recoveries provided for the Parties as contemplated in the Plan and the Restructuring Term Sheet, and shall not, directly or indirectly: (i) engage in any legal proceeding to object to, or interfere with the implementation of the Restructuring pursuant to the 363 Sale; (ii) pursue or initiate or have initiated on its behalf, any litigation or proceeding of any kind to foreclose on any collateral under the First Lien Credit Agreement or the DIP Credit Agreement, as applicable; or (iii) encourage any Person, including, without limitation, the First Lien Agent or the Tranche B Agent, as applicable, to undertake any action set forth in clauses (i) and (ii) herein; and

(c) it shall not effectuate any Transfer in contravention of the provisions set forth in Section 6 hereof.

3.3 Commitment of ACAS and HoldCo Noteholder. Provided that the Plan, Disclosure Statement and related documents are consistent with the Restructuring Term Sheet and no material modifications have been made to the Plan, except as provided for in Section 17 herein, each of ACAS, in its capacity as First Lien Lender, Second Lien Lender and HoldCo Note Agent, and HoldCo Noteholder agrees that:

(a) following the commencement of the Chapter 11 Cases and unless a First Lien Plan Termination Event or a 363 Triggering Event has occurred (and has not been rescinded) and provided that it has been solicited pursuant to an order of the Bankruptcy Court, it shall vote (i) in the case of ACAS, all First Lien Claims, Second Lien Lender Claims and, to the extent applicable, Tranche B DIP Claims now or hereafter beneficially owned by ACAS and any of its Affiliates or any Person for which it now or hereafter serves as the nominee, investment manager or advisor for beneficial holders thereof, and (ii) in the case of HoldCo Noteholder, to the extent applicable, all HoldCo Note Claims, in favor of the Plan in accordance with the applicable procedures set forth in the solicitation materials, and timely return a duly-executed Ballot in connection therewith, and it shall not, directly or indirectly: (i) engage in any legal proceeding to object to, or interfere with, acceptance or implementation of the Restructuring in accordance with the Plan; (ii) seek, solicit, support or encourage any plan, sale, proposal or offer of dissolution, winding up, liquidation, reorganization, merger or restructuring of the Company (other than as provided in the Restructuring Term Sheet, the Plan, or this Restructuring Support Agreement); (iii) take any actions inconsistent with, or that would delay approval or confirmation of, the Plan, the Disclosure Statement or any related documents; (iv) pursue or initiate or have initiated on its behalf, any litigation or proceeding of any kind to foreclose on any collateral under the First Lien Credit Agreement, Second Lien Credit Agreement or the DIP Credit Agreement, as applicable; or (v) encourage any Person, including, without limitation, the Second Lien Agent or the Tranche B

DIP Agent, as applicable to undertake any action set forth in clauses (i), (ii), (iii) and (iv) herein;

(b) after the occurrence of a 363 Triggering Event (that has not been rescinded) and provided a First Lien 363 Termination Event has not occurred, it shall take all actions reasonably necessary to facilitate the expedient consummation of the Restructuring pursuant to the 363 Sale, including, to the extent applicabe (x) directing the First Lien Agent and the Tranche B Agent to consent to the 363 Sale, (y) directing the First Lien Agent to attend the auction and submit one or more credit bids in an amount equal to all or a portion of the First Lien Claim until the First Lien Agent is selected by the Debtors as having submitted the highest and best bid, and (z) directing the First Lien Agent to implement the terms of the Restructuring, including without limitation the recoveries provided for the Parties as contemplated in the Plan and the Restructuring Term Sheet, and shall not, directly or indirectly: (i) engage in any legal proceeding to object to, or interfere with the implementation of the Restructuring pursuant to the 363 Sale; (ii) pursue or initiate or have initiated on its behalf, any litigation or proceeding of any kind to foreclose on any collateral under the First Lien Credit Agreement, Second Lien Credit Agreement or the DIP Credit Agreement, as applicable; or (iii) encourage any Person, including, without limitation, the First Lien Agent, the Second Lien Agent or the Tranche B Agent, as applicable, to undertake any action set forth in clauses (i) and (ii) herein; and

(d) it shall not effectuate any Transfer in contravention of the provisions set forth in Section 6 hereof.

Nothing in this Restructuring Support Agreement shall, or shall be deemed to, prohibit any Party or its Affiliates, or their respective officers or representatives, from appearing as a party-in-interest in any matter to be adjudicated in the Chapter 11 Cases, including, but not limited to asserting or seeking the allowance of any claims, counterclaims and defenses, solely if such appearance and the positions advocated in connection therewith: (i) are not inconsistent with this Restructuring Support Agreement, the Restructuring Term Sheet and the Plan (or 363 Sale, if applicable); or (ii) are for the purposes of contesting whether any matter, fact or thing, is a breach of, or inconsistent with the Restructuring Support Agreement (including any of the Exhibits attached hereto). Notwithstanding section 3.2(b) and 3.3(b), the Majority of Consenting First Lien Lenders may direct the First Lien Agent to not submit a credit bid at the auction that would result in a third party bidder being selected by the Debtors as having submitted the highest and best bid; provided, however, that, in the event of a bid by a third party bidder, if the Majority of Consenting First Lien Lenders determine not to credit bid, any other Consenting First Lien Lender(s) holding 10% or more of the First Lien Claims may purchase the First Lien Claims of the Consenting First Lien Lender(s) who elected not to credit bid at the price which would provide a return to such Consenting First Lien Lender(s) who did not elect to credit bid equal to that offered by the third party bidder; provided, further, however, that an electing Consenting First Lien Lender shall consent to the other Consenting First Lien Lenders credit bidding its First Lien Claims in such auction.

Notwithstanding anything to the contrary herein, this Restructuring Support Agreement shall not, and shall not be deemed to, impair, prohibit, limit or restrict, any Party or its Affiliates, or their respective officers or representatives, from:

(a) engaging in discussions (or asserting any position of any kind or character in such discussions) with any Person, including third party investors or other financing sources;

(b) making or withholding any vote, approval, decision, election, determination or other choice as permitted or contemplated by the Restructuring Support Agreement or the documents for, reflecting or relating to, any of: the Tranche A Facility, the Tranche B Facility, the Interim DIP Order or the Final DIP Order (and any documents related to any of the foregoing);

(c) exercising or asserting through litigation or otherwise any right, power or privilege under, or term or provision of (including any dispute regarding the extent, terms, enforceability or meaning of any such right, term or provision) this Restructuring Support Agreement or the documents for, reflecting, or relating to, any of: the DIP Loans, the Interim Order or the Final Order (and any documents related to any of the foregoing); or

(d) negotiating or otherwise contesting the terms of the documents to be included in the Plan Supplement (as defined in the Plan), relief requested by the Debtors during the course of the chapter 11 cases, any professional fee applications/requests or otherwise participating in litigation during the course of the chapter 11 cases (so long as such litigation is not inconsistent with this Restructuring Support Agreement, the Plan and the Restructuring Term Sheet), or any discussion with respect to any of the foregoing.

4. Commitment of the Company. The Company agrees to use its reasonable best efforts to (i) support and complete the Restructuring and all transactions contemplated under the Plan and the Restructuring Term Sheet, (ii) take any and all necessary and appropriate actions in furtherance of the Restructuring and the transactions contemplated under the Plan and the Restructuring Term Sheet, (iii) complete the Restructuring and all related transactions contemplated under the Plan and the Restructuring Term Sheet within the time-frame outlined herein, (iv) obtain any and all required regulatory and/or third-party approvals for the Restructuring and (v) take no actions inconsistent with this Restructuring Support Agreement, the Plan, or the Restructuring Term Sheet, including the expeditious confirmation and consummation of the Plan (or approval and consummation of a 363 Sale in the event of a 363 Triggering Event).

5. Triggering Events/Termination

5.1 363 Events. The occurrence of any of the following events (a "363 Event"):

(a) The Company fails to commence the Chapter 11 Cases on or before January 21, 2011;

(b) The Interim DIP Order is not entered by the Bankruptcy Court within five (5) calendar days after the Commencement Date;

(c) The Company fails to achieve, comply with, or proceed in accordance with, any of the "Milestones" set forth on Exhibit C attached hereto by the dates specified therein,

including any grace periods provided for therein (collectively, the "Milestones"), or such other date as may be consented to by each Consenting First Lien Lender holding 10% or more of the First Lien Claims (which consent shall not be unreasonably withheld), it being understood that the materials contemplated to be filed by the Company in compliance with the Milestones, including each of (i) the sale motion, (ii) the bid procedures, (iii) the bid procedures order and (iv) the sale order shall be in form and substance reasonably acceptable to each Consenting First Lien Lender holding 10% or more of the First Lien Claims;

(d) The withdrawal, amendment, modification of, or the filing of a pleading by the Debtors seeking to amend or modify, the Plan, the Disclosure Statement, or any other related document in a material manner that is inconsistent with the Restructuring Term Sheet or the Plan;

(e) A material breach by the Company of any of its obligations under this Restructuring Support Agreement or failure by the Company to satisfy the terms and conditions necessary to consummate the Restructuring in any material respect, and any such breach or failure by the Company is not cured by the earlier of three (3) Business Days after receipt of written notice from a Majority of Consenting First Lien Lenders or, to the extent applicable, any applicable cure period provided for under the agreements governing the Restructuring;

(f) Any court of competent jurisdiction or other competent governmental or regulatory authority shall have issued an order making illegal or otherwise restricting, preventing, or prohibiting the Restructuring in a way that cannot be reasonably remedied by the Company or the Consenting Lenders;

(g) The filing of any motion or other request for relief seeking (i) to voluntarily dismiss any of the Chapter 11 Cases, (ii) conversion of any of the Chapter 11 Cases to chapter 7 of the Bankruptcy Code, or (iii) appointment of a trustee or an examiner with expanded powers pursuant to Section 1104 of the Bankruptcy Code in any of the Chapter 11 Cases;

(h) The Debtors' exclusive right to file a plan under section 1121 of the Bankruptcy Code is terminated pursuant to a Final Order or expires; or

(i) The occurrence of an Event of Default as defined under the DIP Credit Agreement which has not been cured by the Debtors within any applicable grace or cure period or waived by each of (i) the Required Lenders and (ii) the Required Tranche B Lenders (each as defined in the DIP Credit Agreement) in accordance with the terms of the DIP Credit Agreement.

5.2 Company's Obligations after a 363 Triggering Event. After a 363 Triggering Event, the Company agrees that, unless a Majority of Consenting First Lien Lenders rescind the notice provided in connection therewith, it shall seek the Bankruptcy Court's approval to conduct a sale pursuant to section 363 of the Bankruptcy Code (a "363 Sale"). If, at the time of the 363 Triggering Event, the Bankruptcy Court has already approved bidding procedures for a 363 Sale consistent

with the foregoing, the Company shall conduct an auction and seek approval of the results of such auction as soon as permitted under any order approving such procedures and consistent with the time periods set forth in the Milestones.

5.3 Implementation of 363 Sale Upon Occurrence of a 363 Triggering Event.

(a) Effect of 363 Triggering Event. Upon the occurrence of a 363 Triggering Event, unless and until any notice of such 363 Triggering Event is rescinded by a Majority of Consenting First Lien Lenders, (x) Consenting First Lien Lenders and (y) ACAS, as Second Lien Lender and HoldCo Note Agent, and (z) HoldCo Noteholder, shall no longer have any obligation to the Company to support the Plan, however, each of the forgoing parties shall remain obligated to support a 363 Sale pursuant to Sections 3.2(b) and 3.3(b), as applicable.

(b) Agreement Among Lenders in Connection with Certain Events. So long as the Outside Date has not occurred or the Bankruptcy Court has not entered an order (i) dismissing any of the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, or (iii) appointing a trustee in any of the Chapter 11 Cases, notwithstanding a First Lien 363 Termination Event, First Lien Plan Termination Event or 363 Triggering Event, the Consenting First Lien Lenders, and ACAS, as Second Lien Lender and HoldCo Note Agent, and HoldCo Noteholder shall remain obligated to each other to support the Restructuring.

(c) Termination of Obligations. Notwithstanding anything to the contrary herein, other than as provided in subsection (d) below, unless terminated earlier pursuant to the terms of this Restructuring Support Agreement, the parties' obligations to the Company and each other under this Restructuring Support Agreement shall terminate on the earlier of (i) the Effective Date; (ii) the date an order approving a 363 Sale becomes a final order (the "Sale Order"); (iii) the entry of an order (a) dismissing any of the Chapter 11 Cases, (b) converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code, or (c) appointing a trustee in any of the Chapter 11 Cases; and (iv) 11:59 p.m. (eastern time) on the Outside Date.

(d) Continuing Obligation. Notwithstanding the foregoing subsections (a) through (c) of this Section 5.3, subsequent to an order being entered approving a 363 Sale, the Parties shall remain obligated to implement the terms of the Restructuring, including without limitation the creation of a newly formed entity that will acquire the assets of the Company and that will initially be owned 95% by the existing First Lien Lenders and 5% by the existing Second Lien Lenders.

5.4 Company Termination Events. The Company may terminate this Agreement as to all Parties upon five Business Days' prior written notice, upon the occurrence of any of the following events: (i) the breach by any of the Consenting Lenders of any of the representations, warranties or covenants of such Consenting Lender set forth in this Agreement that would have a material adverse impact on the Company or the consummation of the Restructuring, that remains uncured for a period of five Business Days after the receipt by the Consenting Lenders of notice of such breach; (ii) the sole manager of AIH determines based upon the advice of counsel that proceeding with the Restructuring as contemplated in this Restructuring Support Agreement would be a breach of its fiduciary duties; or (iii) the issuance by any governmental authority, including any

regulatory authority or court of competent jurisdiction, of any injunction, judgment, decree, charge, ruling or order preventing consummation of a material portion of the Restructuring.

5.5 Waiver of Automatic Stay. Subject to the terms of the Interim DIP Order, the Parties hereby waive any requirement under section 362 of the Bankruptcy Code to lift the automatic stay (the "Automatic Stay") provided thereunder in connection with the giving of any notice of termination provided for hereunder (and agree not to object to any non-breaching Party seeking to lift the Automatic Stay in connection with giving any such notice, if necessary).

6. Transfer of Lender Claims. Notwithstanding anything to the contrary herein, each of the Consenting Lenders agree that, for so long as this Restructuring Support Agreement binds such Consenting Lender and has not been terminated in accordance with its terms with respect to such Consenting Lender, it shall not sell, assign, transfer, convey or otherwise dispose of, directly or indirectly (each, a "Transfer"), all or any of its Claims (or any right related thereto and including any voting rights associated with such Party's Claims) under the First Lien Credit Agreement, the Second Lien Credit Agreement, the Holdco Note or the Tranche B Facility, unless the transferee thereof (i) is a Consenting Lender or agrees in an enforceable writing to assume and be bound by the terms of this Restructuring Support Agreement and the Restructuring Term Sheet, and to assume the rights and obligations of the Consenting Lender under this Restructuring Support Agreement accruing from and after the date of such assignment and (b) promptly delivers such writing to the Company (by email to joshua.sussberg@kirkland.com with a copy to jseery@sidley.com and dmannal@kramerlevin.com) (each such transferee becoming, upon the Transfer, a Consenting Lender hereunder). The Company shall promptly acknowledge any such Transfer in writing and provide a copy of that acknowledgement to the transferor. By its acknowledgement of the relevant Transfer, the Company shall be deemed to have acknowledged that its obligations to the Consenting Lender hereunder shall be deemed to constitute obligations in favor of the relevant transferee. Any Transfer of any Claim under the First Lien Credit Agreement, the Second Lien Credit Agreement, the Holdco Note or the Tranche B Facility by a Consenting Lender that does not comply with the procedure set forth in the first sentence of this Section 6 shall be deemed void *ab initio*. This Restructuring Support Agreement shall in no way be construed to preclude the Consenting Lenders from acquiring additional Claims under the First Lien Credit Agreement, the Second Lien Credit Agreement, the Holdco Note or the Tranche B Facility, provided that any such additional Claims shall automatically be deemed to be subject to the terms of this Restructuring Support Agreement. In addition, notwithstanding anything to the contrary herein, for so long as this Restructuring Support Agreement has not been terminated in accordance with its terms, a Consenting Lender may offer, sell or otherwise transfer any or all of its Claims under the First Lien Credit Agreement, the Second Lien Credit Agreement, the Holdco Note or the Tranche B Facility to any Affiliated Transferee, who shall be automatically deemed bound by this Restructuring Support Agreement as a Consenting Lender, without any notice, approval or other requirements.

7. Effectiveness. This Restructuring Support Agreement shall become effective and binding upon each of the undersigned Persons as of the date when the Company has executed and delivered signed copies of this Restructuring Support Agreement. This Restructuring Support Agreement is not and shall not be deemed to be a solicitation of votes for the acceptance of the Plan (or any other plan of reorganization) for the purposes of sections 1125 and 1126 of the Bankruptcy Code or otherwise.

8. Representations and Warranties. Each Party hereby represents and warrants to the other Parties that the following statements are true and correct as of the date hereof:

(a) It has all requisite corporate, partnership, limited liability company or similar authority to enter into this Restructuring Support Agreement and carry out the transactions contemplated hereby and perform its obligations contemplated hereunder; and the execution and delivery of this Restructuring Support Agreement and the performance of such Party's obligations hereunder have been duly authorized by all necessary corporate, partnership, limited liability company or other similar action on its part.

(b) The execution, delivery and performance by such Party of this Restructuring Support Agreement does not and shall not (i) violate (A) any provision of law, rule or regulation applicable to it or any of its subsidiaries or (B) its charter or bylaws (or other similar governing documents) or those of any of its subsidiaries or (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries is a party.

(c) The execution, delivery and performance by such Party of this Restructuring Support Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state or governmental authority or regulatory body.

(d) This Restructuring Support Agreement is the legally valid and binding obligation of such Party, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability or a ruling of the Bankruptcy Court.

(e) If such Party is a Consenting Lender, such Consenting Lender, as of the date of this Restructuring Support Agreement:

(i) is the beneficial owner of the principal amount of First Lien Claims, Second Lien Claims and/or HoldCo Note Claims, as applicable, or is the nominee, investment manager or advisor for one or more beneficial holders thereof, and has voting power or authority or discretion with respect to, such claims including, without limitation, to vote, exchange, assign and transfer such claims, as such Consenting Lender has indicated on Exhibit B to this Restructuring Support Agreement;

(ii) holds its Claim(s) free and clear, other than pursuant to this Restructuring Support Agreement, of any claim, equity, option, proxy, voting restriction, right of first refusal or other limitation on disposition or encumbrances of any kind that would adversely affect in any way such Consenting Lender's performance of its obligations contained in this Restructuring Support Agreement at the time such obligations are required to be performed; and

(iii) acknowledges that no representations, express or implied, are being made with respect to the Company, or any securities being acquired in connection with the Plan, or otherwise, other than those expressly set forth herein or in the DIP Credit Agreement, Plan or Plan Supplement.

9. Cooperation. The Debtors shall provide draft copies of all "first day" motions or applications and other documents the Debtors intend to file with the Bankruptcy Court (including the Plan, Disclosure Statement or related documents) to counsel for the Consenting First Lien Lenders and ACAS as soon as reasonably practicable but not less than two (2) days prior to the date when the Debtors intends to file each such document and shall consult in good faith with such counsel regarding the form and substance of any such proposed filing. The Debtors will use their reasonable best efforts to provide draft copies of all other pleadings the Debtors intend to file with the Bankruptcy Court to counsel for the Consenting First Lien Lenders and ACAS within a reasonable time prior to filing any such pleading and shall consult in good faith with such counsel regarding the form and substance of any such proposed pleading.

10. Claim Resolution Matters. Prior to the entry of the Confirmation Order or the Sale Order, as applicable, and the effective date of any transactions contemplated thereby or under the Plan, the Company shall not enter into any agreements with holders of claims (as defined in the Bankruptcy Code), other than the Consenting Parties, relating to the allowance, estimation, validity, extent or priority of such claims, or the treatment and classification of such claims under the Plan, without the prior written consent of a Majority of Consenting First Lien Lenders, except with respect to (i) claims which the Company is authorized to resolve or pay pursuant to any applicable first day orders, or (ii) as otherwise contemplated herein.

11. Access. Subject to the terms of the DIP Credit Agreement, the Company will afford the Consenting Lenders and their attorneys, consultants, accountants and other authorized representatives access to all properties, books, contracts, commitments, records, management personnel, lenders and advisors of the Company.

12. Entire Agreement. This Restructuring Support Agreement, including any exhibits, schedules and annexes hereto constitutes the entire agreement of the Parties with respect to the subject matter of this Restructuring Support Agreement, and supersedes all other prior negotiations, agreements and understandings, whether written or oral, among the Parties with respect to the subject matter of this Restructuring Support Agreement.

13. Reservation of Rights. Each of the Parties acknowledges and agrees that this Restructuring Support Agreement is being executed in connection with negotiations concerning a possible Restructuring of the Company and in contemplation of possible Chapter 11 Case filings by the Company, and (a) the rights granted in this Restructuring Support Agreement are enforceable by each signatory hereto without approval of the Bankruptcy Court, and (b) the Company waives any right to assert that the exercise of such rights by any Consenting Lenders violates the automatic stay provisions of the Bankruptcy Code. Except as expressly provided in this Restructuring Support Agreement, nothing herein is intended to, or does, in any manner waive, limit, impair or restrict the ability of each Consenting Lender or the First Lien Agent and Second Lien Agent to protect and preserve its rights, remedies and interests, including, without limitation, its claims against the Company and/or its Affiliates. Nothing herein shall be deemed an admission of any kind. Nothing

contained herein effects a modification of the Consenting Lenders' rights under the First Lien Credit Agreement, Second Lien Credit Agreement or HoldCo Note, as applicable, or other related and unrelated documents and agreements unless and until the Effective Date has occurred. If the transactions contemplated herein are not consummated, or if this Restructuring Support Agreement terminates for any reason prior to the Effective Date, the Parties hereto fully reserve any and all of their rights.

14. Waiver. This Restructuring Support Agreement and the Restructuring Term Sheet are part of a proposed settlement of a dispute among the Parties. If the transactions contemplated herein are not consummated, or following the occurrence of the Outside Date, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights. Pursuant to Federal Rule of Evidence 408 and any other applicable rules of evidence, this Restructuring Support Agreement, the Plan, the Restructuring Term Sheet and all related negotiations shall not be admissible into evidence in any proceeding other than a proceeding to enforce its terms.

15. Representation by Counsel. Each Party acknowledges that it has been represented by counsel (or had the opportunity to and waived its right to do so) in connection with this Restructuring Support Agreement and the transactions contemplated by this Restructuring Support Agreement. Accordingly, any rule of law or any legal decision that would provide any Party with a defense to the enforcement of the terms of this Restructuring Support Agreement against such Party based upon lack of legal counsel shall have no application and is expressly waived. The provisions of this Restructuring Support Agreement shall be interpreted in a reasonable manner to effect the intent of the Parties hereto. None of the Parties shall have any term or provision construed against such Party solely by reason of such Party having drafted the same.

16. Counterparts. This Restructuring Support Agreement may be executed in one or more counterparts, each of which, when so executed, shall constitute the same instrument and the counterparts may be delivered by facsimile transmission or by electronic mail in portable document format (.pdf).

17. Amendments. Except as otherwise provided herein, this Restructuring Support Agreement, the Plan and the Restructuring Term Sheet may not be materially modified, amended or supplemented, or any provisions herein or therein waived without the prior written consent of each Consenting First Lien Lender holding 10% or more of the First Lien Claims. Where the consent of a Party is required under this Section 17, such consent shall not be unreasonably withheld by such Party. Notwithstanding the foregoing, the Parties may modify, amend or supplement the Plan consistent with Article X.A. of the Plan.

18. Headings. The headings of the sections, paragraphs and subsections of this Restructuring Support Agreement are inserted for convenience only and shall not affect the interpretation hereof.

19. Specific Performance. It is understood and agreed by the Parties that money damages would be an insufficient remedy for any breach of this Restructuring Support Agreement by any Party and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as a remedy of any such breach, including, without limitation, an order of the Bankruptcy

Court or other court of competent jurisdiction requiring any Party to comply promptly with any of its obligations hereunder.

20. Governing Law. This Restructuring Support Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to such state's choice of law provisions which would require the application of the law of any other jurisdiction. By its execution and delivery of this Restructuring Support Agreement, each of the Parties irrevocably and unconditionally agrees for itself that any legal action, suit or proceeding against it with respect to any matter arising under or arising out of or in connection with this Restructuring Support Agreement or for recognition or enforcement of any judgment rendered in any such action, suit or proceeding, shall be brought in the United States District Court for the Southern District of New York, and by execution and delivery of this Restructuring Support Agreement, each of the Parties irrevocably accepts and submits itself to the exclusive jurisdiction of such court, generally and unconditionally, with respect to any such action, suit or proceeding. EACH PARTY HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS RESTRUCTURING SUPPORT AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. Notwithstanding the foregoing consent to New York jurisdiction, if the Chapter 11 Cases are commenced, each Party agrees that the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Restructuring Support Agreement.

21. Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by electronic mail transmission with first class mail confirmation to the Parties at the following addresses or email addresses:

If to the Company:

Appleseed's Intermediate Holdings LLC
138 Conant Street
Beverly, Massachusetts 01915
Facsimile: (978) 998-3934
Attention: T. Neale Attenborough
E-mail address: neale@orchardbrands.com

with a copy to (which shall not constitute notice):

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Facsimile: (212) 446-4900
Attention: Joshua A. Sussberg, Esq.
E-mail address: joshua.sussberg@kirkland.com

If to the Consenting Lenders:

To the addresses and email addresses set forth on the signature pages hereto.

with a copy to (which shall not constitute notice):

Sidley Austin LLP
787 Seventh Avenue
New York, New York 10019
Attention: James P. Seery, Esq.
Facsimile: (212) 906-2021
E-mail address: jseery@sidley.com

Kramer Levin Naftalis and Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Facsimile: (212) 715-8000
Attention: Douglas Mannal, Esq..
E-mail address: dmannal@kramerlevin.com

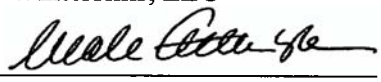
22. No Third-Party Beneficiaries. The terms and provisions of this Restructuring Support Agreement are intended solely for the benefit of the Parties and their respective successors and permitted assigns (including any Person that becomes a Consenting Lender pursuant to Section 6 hereof), and it is not the intention of the Parties to confer third-party beneficiary rights upon any other Person.

23. References to UBS. Notwithstanding anything to the contrary herein, references herein to and the obligations of UBS AG, Stamford Branch, as a Consenting First Lien Lender shall mean only the distressed debt trading desk of UBS AG, Stamford Branch, and no other business group. Any reference to an Affiliate of a Consenting First Lien Lender shall not apply to UBS AG, Stamford Branch.

[Signature Pages Follow]

IN WITNESS WHEREOF, the undersigned have executed this Restructuring Support Agreement as of the date first written above.

Appleseed's Intermediate Holdings LLC
Appleseed's Acquisition, Inc.
Appleseed's Holdings, Inc.
Arizona Mail Order Company, Inc.
Bedford Fair Apparel, Inc.
Blair Credit Services Corporation
Blair Factoring Company
Blair Holdings, Inc.
Blair International Holdings, Inc.
Blair LLC
Blair Payroll, LLC
Draper's & Damon's Acquisition LLC
Draper's & Damon's LLC
Fairview Advertising, LLC
Gold Violin LLC
Haband Acquisition LLC
Haband Company LLC
Haband Oaks, LP
Haband Online, LLC
Haband Operations, LLC
Johnny Appleseed's, Inc.
Linen Source Acquisitions LLC
LM&B Catalog, Inc.
Monterey Bay Clothing Company, Inc.
Norm Thompson Outfitters, Inc.
NTO Acquisition Corporation
Orchard Brands Insurance Agency LLC
Wintersilks, LLC

By: 

Name: T. Neale Attenborough
Authorized Officer

Highland Crusader Offshore Partners, L.P.
By: Highland Crusader Fund GP, L.P., its general partner
By: Highland Crusader GP, LLC., its general partner
By: Highland Capital Management, L.P. its sole member
By: Strand Advisors, Inc., its general partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Loan Funding IV LLC
By: Highland Capital Management, L.P., As Collateral Manager
By: Strand Advisors, Inc., Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Eastland CLO, Ltd.
By: Highland Capital Management, L.P.
As Collateral Manager
By: Strand Advisors, Inc.,
Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Gleneagles CLO, Ltd.
By: Highland Capital Management, L.P., As Collateral Manager
By: Strand Advisors, Inc., Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Grayson CLO, Ltd.
By: Highland Capital Management, L.P.,
As Collateral Manager
By: Strand Advisors, Inc.,
Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Greenbriar CLO, Ltd.
By: Highland Capital Management, L.P., As Collateral Manager
By: Strand Advisors, Inc.
Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Highland Loan Funding V Ltd.
By: Highland Capital Management, L.P., As Collateral Manager
By: Strand Advisors, Inc., Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Jasper CLO, Ltd.
By: Highland Capital Management, L.P., As Collateral Manager
By: Strand Advisors, Inc., Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Liberty CLO, Ltd.
By: Highland Capital Management, L.P.
As Collateral Manager
By: Strand Advisors, Inc., Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Red River CLO Ltd.
By: Highland Capital Management, L.P.
As Collateral Manager
By: Strand Advisors, Inc., Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Rockwall CDO LTD.
By: Highland Capital Management, L.P.
As Collateral Manager
By: Strand Advisors, Inc., It's General Partner
Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Rockwall CDO II Ltd.
By: Highland Capital Management, L.P.,
As Collateral Manager
By: Strand Advisors, Inc.,
Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Southfork CLO, Ltd.
By: Highland Capital Management, L.P., As Collateral Manager
By: Strand Advisors, Inc., Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Stratford CLO, Ltd.
By: Highland Capital Management, L.P.,
As Collateral Manager
By: Strand Advisors, Inc.,
Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Westchester CLO, Ltd
By: Highland Capital Management, L.P., As Collateral Servicer
By: Strand Advisors, Inc., Its General Partner

Institution: _____

January 18, 2011

By: _____

Its: James D. Dondero, President
Strand Advisors, Inc., General Partner of
Highland Capital Management, L.P.

Institution: CANPARTNERS INVESTMENTS IV, LLC

January 18, 2011

By: Canyon Capital Advisors LLC, its Manager

By: _____

Jonathan M. Kaplan, Authorized Signatory

Institution: Landmark III CDO, Limited

Landmark IV CDO, Limited

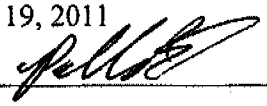
Landmark V CDO, Limited

Landmark VIII CLO, Limited

Landmark IX CDO, Limited

By: Aladdin Capital Management LLC

January 19, 2011

By: 

Pallo Blum-Tucker

Its: Authorized Signatory_____

Institution: ARLEZO LLC

January 19, 2011

By: _____
Kevin P. Gendar

Its: Senior Managing Director

Institution: ABLECO FINANCE LLC

January 19, 2011

By: _____
Kevin P. Genda

Its: Vice Chairman

Institution: AG Funding L.D.
By: AG Fund Management, Inc
its general partner

January 19, 2011

By: _____
Kevin P. Genda

Its: Vice President

A3 Funding L.P.
By. A3 Fund Management LLC

Institution: its general Partner

January 19, 2011

By: Kevin P. Genda

Its: Vice President

Institution: **American Capital, Ltd.**

By: _____

Its: Senior Vice President

Institution: **ACAS Business Loan Trust 2005-1**

By: American Capital, Ltd., as servicer

By: _____

Its: Senior Vice President

Institution: **ACAS Business Loan Trust 2006-1**

By: American Capital, Ltd., as servicer

By: _____

Its: Senior Vice President

Institution: **ACAS Business Loan Trust 2007-2**

By: American Capital, Ltd., as servicer

By: _____

Its: Senior Vice President

Stephen P. Walko

Institution: UBS AG STAMFORD BRANCH

By: UBS Securities LLC, as agent

January 19, 2011

By: _____
Name:
Title:

Stephen Scanapieco
Associate Director
Banking Products
Services, US

By: _____
Name:
Title: Joselin Fernandes
Associate Director
Banking Products
Services, US

CONSENTING LENDERS:

Institution: McDonnell Bank Loan Select Master Fund, A Class of the McDonnell Bank Loan Select Series Trust I

By McDonnell Investment Management, LLC
As Investment Manager

By:_____
Name: Kathleen A. Zarn
Title: Vice President

Address: in care of:
McDonnell Investment Management, LLC
1515 West 22nd Street – 11th Floor
Oak Brook, IL 60523

CONSENTING LENDERS:

Institution: Illinois State Board of Investment

By McDonnell Investment Management, LLC,
As Manager

By: _____

Name: Kathleen A. Zarn
Title: Vice President

Address: in care of:
McDonnell Investment Management, LLC
1515 West 22nd Street – 11th Floor
Oak Brook, IL 60523

Exhibit A

Restructuring Term Sheet

APPLESEED'S INTERMEDIATE HOLDINGS LLC
RESTRUCTURING TERM SHEET

JANUARY 19, 2010

This term sheet (the "***Term Sheet***") sets forth the principal terms of a proposed financial restructuring (the "***Restructuring***") of the existing debt and other obligations of Appleseed's Intermediate Holdings LLC and its 27 domestic subsidiaries (the "***Company***"). Subject in all respects to the terms of the Restructuring Support Agreement to which this Term Sheet will be attached, the Restructuring will be consummated through cases under chapter 11 (the "***Chapter 11 Cases***") of title 11 of the United States Code (the "***Bankruptcy Code***") in the United States Bankruptcy Court for the District of Delaware (the "***Bankruptcy Court***"). The Term Sheet has the support of the Consenting Lenders, as set forth in the Restructuring Support Agreement. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to such terms in the Restructuring Support Agreement.

THIS TERM SHEET DOES NOT CONSTITUTE (NOR SHALL IT BE CONSTRUED AS) AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OR REJECTIONS AS TO ANY PLAN OF REORGANIZATION, IT BEING UNDERSTOOD THAT SUCH A SOLICITATION, IF ANY, ONLY WILL BE MADE IN COMPLIANCE WITH APPLICABLE PROVISIONS OF SECURITIES, BANKRUPTCY AND/OR OTHER APPLICABLE LAWS.

THIS TERM SHEET HAS BEEN PRODUCED FOR DISCUSSION AND SETTLEMENT PURPOSES ONLY AND IS SUBJECT TO THE PROVISIONS OF RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND OTHER SIMILAR APPLICABLE STATE AND FEDERAL RULES.

THE TRANSACTIONS DESCRIBED HEREIN WILL BE SUBJECT TO THE COMPLETION OF DEFINITIVE DOCUMENTATION INCORPORATING THE TERMS SET FORTH HEREIN AND OTHERWISE REASONABLY SATISFACTORY TO EACH CONSENTING FIRST LIEN LENDER HOLDING 10% OR MORE OF THE FIRST LIEN CLAIMS), AND THE CLOSING OF ANY TRANSACTION SHALL BE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN SUCH DOCUMENTATION.

Overview of Transaction	Subject to the Restructuring Support Agreement, the transaction contemplated in this Term Sheet will be effectuated pursuant to (a) the Plan (in the form attached to the Restructuring Support Agreement as Exhibit B) or (b) a credit bid submitted by the First Lien Agent and, if applicable, the Second Lien Agent, in connection with a 363 Sale following a 363 Triggering Event, which results in the assets of the Company being acquired by a newly formed entity ("***New Appleseed's***") that will initially be owned 95% by the First Lien Lenders and 5% by the Second Lien Lenders (subject to dilution pursuant to the Management Equity Incentive Program (as contemplated under the Plan) and will otherwise have a restructured capital structure that is consistent with the terms herein.
DIP Facility	The Company and certain Consenting Lenders will enter into that certain debtor-in-possession credit agreement providing a (i) senior secured, super-priority debtor-in-possession revolving credit financing in the aggregate principal amount of

	$100,000,000, which shall be entered into between the Debtors, UBS AG, Stamford Branch ("***UBS***"), as agent, and certain lenders thereto (the "***Tranche A Facility***") and (ii) senior secured, super-priority last out debtor-in-possession term loan in the aggregate principal amount of $35,000,000 (with an additional $5,000,000 delayed draw available), which shall be entered into by and between the Debtors, Ableco Finance LLC ("***Ableco***") as administrative agent, American Capital, Ltd. ("***ACAS***") as disbursement agent, and the lenders thereto (the "***Tranche B Facility***"). The Tranche B Facility will be backstopped by ACAS, Highland Capital Management LP ("***Highland***"), Canyon Capital Advisors LLC ("***Canyon***"), and Ableco (collectively, the "***Backstop Parties***"), with all holders of the First Lien Claims having the right to participate in the Tranche B Facility on a *pro rata* basis based on their holdings of First Lien Claims. To the extent certain First Lien Lenders do not participate in Tranche B Facility, those nonparticipating First Lien Lenders' *pro rata* portion of the Tranche B Facility will be funded by the Backstop Parties on a *pro rata* basis based on their holdings of First Lien Claims. The DIP Facility shall be in the form attached to the motion filed with the Bankruptcy Court on the Petition Date.
Pro Forma Capital Structure of New Appleseed's	• $80mm Amended ABL Facility • Up to $40 Senior Term Loan • $200mm First Lien Term Loan • $43mm Junior Term Loan • New Common Equity
Terms of Amended ABL Facility	To be provided on terms no less favorable to the Debtors than that certain exit commitment letter attached hereto as Exhibit A.
Terms of Senior Term Loan (conversion of Tranche B Facility)	• Amount: $35,000,000 (the Senior Term Loan will increase up to $40,0000,000 to the extent the Tranche B Facility is fully drawn). • Interest: LIBOR + 1050 bps (LIBOR Floor of 350 bps). • Maturity: 5 years. • Amortization: None. • Prepayment: No call protection. • Covenants: Same as First Lien Term Loan.

	• Collateral: Junior (payment and lien subordination) to Amended ABL Facility on all assets.
Terms of First Lien Term Loan	• Amount: $200,000,000. • Interest: Until such time that the reorganized Debtors achieve a Fixed Charge Coverage Ratio[1] of 1.25x or higher, the interest accruing on the First Lien Term Loan shall be payable in both cash and payment in kind ("***PIK***"), with the cash component priced at LIBOR + 250bps (with a LIBOR floor of 150bps) and the PIK component priced at 250bps (the "***PIK Interest***"); *provided, that* once the EBIDTA Fixed Charge Coverage Ratio of 1.25x or higher is achieved, the PIK Interest shall be payable in Cash. • Maturity: 5 years. • Amortization: $500,000 quarterly Amortization Payments, however, no Amortization Payments shall be made during the first 18 months. • Covenants: Financial Covenants to include: (i) Minimum EBITDA, (ii) Cash Pay Term Loan Leverage, (iii) Total Leverage and (iv) Fixed Charge. Covenants to be tested on a quarterly basis beginning after the first six (6) months of the loan. • Collateral: Junior (payment and lien subordination) to Amended ABL Facility and Senior Term Loan on all assets.
Terms of Junior Term Loan	• Amount: $43,000,000. • Cash Pay Interest: Greater of (i) LIBOR and (ii) 1%, with a 4% cap. • PIK Interest: 7%. • Maturity: 6 years. • Amortization: None. • Covenants: None. • Collateral: Junior (payment and lien subordination) to Amended ABL Facility, Senior Term Loan and First Lien Term Loan on all assets.
New Common Equity	As a result of the Restructuring, all existing equity interests (including common stock, preferred stock and any options, warrants or rights to acquire any equity interests) of the Company shall be cancelled, and the new common stock of New

[1] "***Fixed Charge Coverage Ratio***" shall mean for any LTM period (x) earnings before interest taxes depreciation and amortization minus Cash capital expenditures minus Cash taxes divided by (y) Cash interest plus PIK Interest related to the First Lien Term Loan plus scheduled cash amortization of the First Lien Term Loan.

	Appleseed's (the "***New Common Equity***") shall be owned 95% by the existing First Lien Lenders and 5% by the existing Second Lien Lenders (with such 5% of the New Common Equity to be deemed non-voting or otherwise agreed to by each of the Consenting First Lien Lender holding 10% or more of the First Lien Claims in the applicable corporate governance documents) subject in each case to dilution by the shares of New Common Equity reserved under the Management Equity Incentive Program.
Additional Provisions	• **Management Equity Incentive Program**. New Appleseed's and each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims, shall engage in good faith negotiations to reach agreement on the Management Equity Incentive Program, and include any form thereof and the amounts of any grants thereunder in the supplement to the Plan; *provided, however*, that if New Appleseed's and each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims are unable to reach an agreement notwithstanding their good faith efforts to do so, no such program shall be included in the Plan supplement and instead, within 90 days of the Effective Date the New Board shall adopt and implement a Management Equity Incentive Program. • **Corporate Governance**. The terms and conditions of the new corporate governance documents of New Appleseed's shall reflect the provisions set forth in the Governance Term Sheet attached as Exhibit B hereto and shall otherwise be in form and substance reasonably satisfactory to each Consenting First Lien Lender holding 10% or more of the First Lien Claims. • **Board of Directors**. New Appleseed's shall have a 7 person board of directors (the "***New Board***"), which shall consist of 2 directors appointed by ACAS, 1 director appointed by Ableco, 1 director appointed by Highland, 1 director appointed by Canyon, 1 initial independent director appointed by the First Lien Lenders other than ACAS, Ableco, Highland and Canyon, and the current Chief Executive Officer of Appleseed's. • **Bankruptcy**. The transaction contemplated in this Term Sheet will be effectuated through the Plan (attached to the Restructuring Support Agreement as Exhibit B) or pursuant to a credit bid in a 363 Sale that results in the assets of the Company being acquired by a newly formed entity that will initially be owned 95% by the existing First Lien Lenders and 5% by the existing Second Lien Lenders and will otherwise have a capital structure that is consistent with the terms herein. • **Tax**. The Company, in consultation with the Consenting

	Lenders, will seek to effectuate the terms and conditions outlined herein in a tax efficient manner. • **Professional Fees**. Payment through the effective date of the Restructuring of all reasonable fees and expenses of the professionals to the ABL Agent (including, without limitation, Winston & Strawn, LLP, as counsel, and FTI as financial advisor), the co-collateral agent under the ABL Credit Agreement (including, without limitation, Brown Rudnick LLP, as counsel), the First Lien Agent (including, without limitation, Sidley Austin LLP, as counsel, and Loughlin Meghji + Company as financial advisor), and ACAS (including, without limitation, Kramer Levin Naftalis and Frankel LLP, as counsel, and Miller Buckfire & Co., LLC, as financial advisor), incurred in connection with the negotiation and consummation of the transactions contemplated by this Term Sheet. • **Releases.** The Restructuring shall provide customary releases for the benefit of the Debtors, ABL Lenders, ABL Agent, First Lien Lenders, First Lien Agent, Second Lien Lenders, Second Lien Agent, the holders of the Holdco note, the Holdco Note Agent and their respective attorneys, financial advisors or other professionals or representatives and with respect to the lenders only their respective agents, principals and affiliates.

Exhibit B
(to Restructuring Term Sheet)

Governance Term Sheet

TERM SHEET FOR GOVERNANCE DOCUMENTS/EQUITYHOLDERS AGREEMENTS

FOR RESTRUCTURED APPLESEED'S (THE "COMPANY")

A. Structure

1. Corporation (or LLC that has elected to be taxed as a C corporation).

2. Contemplated for equity to consist of Class A Common Stock representing 95% of total equity and Class B Common Stock representing 5% of total equity (Class B to have limited voting rights).

B. Board of Directors

1. The initial Board of Directors shall consist of (i) 2 directors appointed by ACAS, (ii) 1 director appointed by Ableco, (iii) 1 director appointed by Highland, (iv) 1 director appointed by Canyon, (v) 1 independent director appointed by majority vote of the First Lien Lenders other than ACAS, Ableco, Highland and Canyon (the "Other First Lien Lenders") and (vi) the current Chief Executive Officer of Appleseed's.

2. After the effective date, (i) any stockholder that holds at least 16.67% of the full voting equity issued on the effective date shall have the right to designate one director, (ii) any stockholder that holds at least 33.34% of the full voting equity issued on the effective date shall have the right to designate two directors, (iii) any stockholder that holds at least 50% of the full voting equity issued on the effective date shall have the right to designate 3 directors, (iv) any stockholder that holds at least 66.67% of the full voting equity issued on the effective date shall have the right to designate 4 directors, (v) any stockholder that holds at least 83.34% of the full voting equity issued on the effective date shall have the right to designate 5 directors, (vi) even if ACAS holds less than 33.34% of the equity issued on the effective date, ACAS shall retain the right to designate 2 directors so long as it continues to hold at least 25% of the full voting equity issued on the effective date; and even if ACAS holds less than 16.67% of the full voting equity issued on the effective date, ACAS shall retain the right to designate 1 director so long as it continues to hold at least 10% of the total full voting equity issued on the effective date, and (vii) even if any of Ableco, Highland or Canyon holds less than 16.67% of the full voting equity issued on the effective date, it will retain the right to designate a director as long as it continues to hold at least 10% of the total full voting equity issued on the effective date.

3. The initial term of office for directors shall be two years (the "Initial Period"), and each subsequent term of office for directors shall be one year.

4. During Initial Period, the Other First Lien Lenders shall retain the right to designate 1 independent director so long as they and their respective affiliates continue to hold in the aggregate at least 10% of the total full voting equity issued on the effective date. After the Initial Period, the Other First Lien Lenders shall not have director designation rights.

5. If any stockholder (or group of stockholders) loses the right to designate a director or directors, the size of the board will be decreased accordingly. If any stockholder obtains the right to designate a director (or an additional director, as the case may be), the size of the board will be increased accordingly.

6. If at any time the board of directors consists of an even number of directors and there is a tie vote on any matter when the votes of all directors are taken into account, then the vote of the CEO on that matter shall be disregarded.

C. **Consent Rights**. Each of the following actions will require the approval of the holders of 60% of the full voting equity (and neither the Board nor any committee will approve any of such actions absent such approval):

(a) Sale or other disposition of all or a majority of the assets of the Company and its subsidiaries;

(b) Any sale, recapitalization, liquidation, dissolution, winding up, bankruptcy event, reorganization, consolidation, or merger of the Company or any of its subsidiaries;

(c) Authorization of additional equity not authorized by organizational documents;

(d) Any non-pro rata redemption of equity interests (except for purchases from employees upon termination of employment); and

(e) Any amendment of the organizational documents of the Company.[1]

In addition, each of the following actions will require the approval of a 2/3 supermajority vote of the Board:

(a) Any material acquisition of businesses, companies or assets; entrance into joint ventures;

(b) Transactions with affiliates; and

(c) Termination or hiring of CEO.

D. **Restrictions on Transfer**

1. Transferability of shares shall be subject to the following restrictions:

(a) Equity cannot be transferred to competitors; and

(b) Equity can be transferred to affiliates of competitors only if the Board of Directors is satisfied that company financials and other company information will be kept confidential and not shared with any competitor.

[1] Amendment provisions will also contain anti-discrimination language that will provide protection against disparate treatment.

E. Tag-Along/Drag-Along Rights

1. Drag-along rights. Holders of at least 60% of full voting equity shall have drag-along rights that will allow them to force a sale of the company to a "qualified buyer", subject to customary qualifications. The term "qualified buyer" shall mean any third party and any then-current stockholder if the sale transaction is approved by holders of at least 60% of the full voting equity not held by the buyer and its affiliates.

2. Tag-along rights. In the event of a transaction or series of related transactions that would result in any person/entity or group of affiliated persons/entities holding greater than 60% of the new full voting equity, each of the equityholders shall have tag along rights to join in any such transfer on the same terms and conditions and on a pro rata basis.

F. Preemptive Rights/Registration Rights

1. Preemptive Rights. Holders of new equity shall have preemptive rights on future issuances of equity and debt, subject to customary exceptions.

2. Registration Rights. Holders of new equity shall have unlimited piggyback registration rights. After an IPO, any holder or holders that represent more than 10% of equity may demand up to 3 long-form registrations and an unlimited number of short-form registrations of equity that may not otherwise be freely sold without registration, in each case on customary terms.

G. Financial Information

1. All holders of new equity shall be entitled to quarterly and annual financial statements, subject to confidentiality provisions to be included in the Equityholders Agreement.

H. Management Equity

1. Equity incentive documentation to include, among other customary provisions, a claw-back of equity from employees who acquire equity or equity-related securities (x) whose employment is terminated for cause, at lesser of purchase price or fair market value and (y) whose employment terminates other than for cause, at fair market value.

I. One Holder

1. The interest of a holder and its affiliates will be aggregated for purposes of determining such holder's and its affiliates' rights under the Equityholders Agreement, and an equityholder may allocate the exercise of any equity purchase or other rights under the agreement among it and its affiliates that would be permitted assignees and holders of shares as it shall determine.

Exhibit B

Plan of Reorganization

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al*.,[1]	)	Case No. 11-_____ ( )
Debtors.	)	Joint Administration Requested

JOINT PLAN OF REORGANIZATION OF APPLESEED'S INTERMEDIATE HOLDINGS LLC AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

Richard M. Cieri (*pro hac vice* admission pending)
Joshua A. Sussberg (*pro hac vice* admission pending)
Brian E. Schartz (*pro hac vice* admission pending)
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Margaret M. Manning (DE Bar No. 4183)
KLEHR HARRISON HARVEY BRANZBURG LLP
919 N. Market Street, Suite 1000
Wilmington, Delaware 19801-3062
Telephone: (302) 426-1189
Facsimile: (302) 426-9193

Proposed Co-Counsel to the Debtors and Debtors in Possession

Dated: January 19, 2011

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

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INTRODUCTION

Appleseed's Intermediate Holdings LLC ("***AIH***") d/b/a Orchard Brands and its debtor affiliates, as debtors and debtors in possession (each, a "***Debtor***" and, collectively, the "***Debtors***"), propose this joint plan of reorganization (the "***Plan***") for the resolution of the Claims (as such term is defined below) against and Interests (as such term is defined below) in each of the Debtors pursuant to chapter 11 of the Bankruptcy Code (as such term is defined below). Capitalized terms used in the Plan and not otherwise defined shall have the meanings ascribed to such terms in Article I.A.

Holders of Claims and Interests (as such terms are defined below) should refer to the Disclosure Statement (as such term is defined below) for a discussion of the Debtors' history, businesses, assets, results of operations, historical financial information and projections of future operations, as well as a summary and description of this Plan.

ARTICLE I.
DEFINED TERMS, RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW

A. Defined Terms.

As used in this Plan, capitalized terms have the meanings ascribed to them below.

1. "*ABL Administrative Agent*" means UBS AG, Stamford Branch, in its capacity as administrative agent under the ABL Credit Agreement.

2. "*ABL Agents*" means, collectively, the ABL Administrative Agent, the ABL Arranger, the ABL Co-Collateral Agents, the ABL Issuing Bank and the ABL Swingline Lender.

3. "*ABL Arranger*" means UBS Securities LLC, in its capacity as joint lead arranger and joint book runner under the ABL Credit Agreement.

4. "*ABL Claim*" means any Claim derived from, based upon, relating to or arising from the ABL Credit Agreement.

5. "*ABL Co-Collateral Agents*" means UBS AG, Stamford Branch and Wells Fargo Bank, N.A., in their respective capacity as collateral agent or co-collateral agent under the ABL Credit Agreement.

6. "*ABL Credit Agreement*" means the Credit Agreement, dated as of April 30, 2007, among Blair Corporation, Haband Company, Inc., Johnny Appleseed's, Inc., Norm Thompson Outfitters, Inc. and Draper's & Damon's, Inc., as borrowers, each of the other Debtors, as guarantors, the ABL Lenders, the ABL Administrative Agent, the ABL Co-Collateral Agents, the ABL Issuing Bank, the ABL Swingline Lender, American Capital Strategies, Ltd. and UBS Securities LLC, as joint lead arrangers and joint bookrunners, and American Capital Financial Services, Inc., as syndication agent, and any guarantees, security documents and other documents related thereto (as amended, restated, supplemented or otherwise modified from time to time).

7. "*ABL Issuing Bank*" means UBS AG, Stamford Branch, in its capacity as issuing bank under the ABL Credit Agreement.

8. "*ABL Lenders*" means the institutions party from time to time as "Lenders" under the ABL Credit Agreement.

9. "*ABL Swingline Lender*" means UBS Loan Finance LLC, in its capacity as swingline lender under the ABL Credit Agreement.

10. "*Accrued Professional Compensation*" means, at any given time, all accrued, contingent and/or unpaid fees and expenses (including success fees) for legal, financial advisory, accounting and other services and reimbursement of expenses that are awardable and allowable under sections 328, 330 or 331 of the Bankruptcy Code or otherwise rendered allowable before the Effective Date by any retained Professional in the Chapter 11 Cases, or that are awardable and allowable under section 503 of the Bankruptcy Code, that the Bankruptcy Court has not denied by Final Order, in each case subject the terms of the DIP Order (a) all to the extent that any such fees and expenses have not been previously paid (regardless of whether a fee application has been Filed for any such amount) and (b) after applying any retainer that has been provided to such Professional. To the extent that the Bankruptcy Court or any higher court of competent jurisdiction denies or reduces by a Final Order any amount of a Professional's fees or expenses, then those reduced or denied amounts shall no longer constitute Accrued Professional Compensation.

11. "*Ad Hoc Group of First Lien Lenders*" refers to certain funds managed by Ableco Finance LLC, Highland Capital Management LP and Canyon Capital Advisors LLC, solely in their respective capacities as Holders of First Lien Claims.

12. "*Administrative Claim*" means any Claim for costs and expenses of administration pursuant to sections 503(b), 507(a)(2), 507(b) or 1114(e)(2) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the Petition Date and through the Effective Date of preserving the Estates and operating the businesses of the Debtors (such as wages, salaries or commissions for services and payments for goods and other services and leased premises); (b) all fees and charges assessed against the Estates pursuant to section 1930 of chapter 123 of the Judicial Code; (c) all Claims of the ABL Agents, the ABL Lenders, the DIP Facility Tranche A Agents, the DIP Facility Tranche A Lenders, the DIP Facility Tranche B Agents and the DIP Facility Tranche B Lenders under or granted under the DIP Order; and (d) all requests for compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4) and (5) of the Bankruptcy Code.

13. "*Affiliate*" has the meaning set forth in section 101(2) of the Bankruptcy Code.

14. "*AIH*" means Appleseed's Intermediate Holdings LLC, the direct or indirect parent of each of the other Debtors.

15. "*AIH Note Agent*" means American Capital Financial Services, Ltd. (successor by merger to American Capital Financial Services, Inc.), in its capacity as administrative agent under the AIH Note Purchase Agreement.

16. "*AIH Note Claims*" means any Claim derived from, based upon, relating to or arising from the AIH Note Purchase Agreement.

17. "*AIH Note Purchasers*" means the institutions party from time to time as "Purchasers" under the AIH Note Purchase Agreement.

18. "*AIH Note Purchase Agreement*" means the Note Purchase Agreement, dated as of July 12, 2007, by and among AIH, as issuer, the AIH Note Purchasers, the AIH Note Agent and American Capital Strategies, Ltd., as sole lead arranger and bookrunner, and any other documents related thereto (as amended, restated, supplemented or otherwise modified from time to time).

19. "*Allowed*" means with respect to any Claim, except as otherwise provided herein: (a) a Claim that is scheduled by the Debtors as neither disputed, contingent nor unliquidated; (b) a Claim that either is not a Disputed Claim or has been allowed by a Final Order; (c) a Claim that is allowed (i) pursuant to the terms of the Plan, (ii) in any stipulation that is approved by the Bankruptcy Court or (iii) pursuant to any contract, instrument, indenture or other agreement entered into or assumed in connection herewith; (d) a Claim relating to a rejected Executory Contract or Unexpired Lease that either (i) is not a Disputed Claim or (ii) has been allowed by a Final Order; or (e) a Claim as to which a Proof of Claim has been timely Filed and as to which no objection has been Filed by the Claims Objection Deadline. Except for any Claim that is expressly Allowed herein, any Claim that has been

or is hereafter listed in the Schedules as contingent, unliquidated or disputed and for which no Proof of Claim has been Filed is not considered Allowed and shall be deemed expunged upon entry of the Confirmation Order.

20. "*Assumed Executory Contract and Unexpired Lease List*" means the list (as may be amended), as determined by the Debtors or the Reorganized Debtors, of Executory Contracts and Unexpired Leases (including any amendments or modifications thereto) that will be assumed by the Reorganized Debtors pursuant to the provisions of Article V and which shall be included in the Plan Supplement.

21. "*Bankruptcy Code*" means chapter 11 of title 11 of the United States Code.

22. "*Bankruptcy Court*" means the United States Bankruptcy Court for the District of Delaware having jurisdiction over the Chapter 11 Cases or any other court having jurisdiction over the Chapter 11 Cases, including, to the extent of the withdrawal of the reference under 28 U.S.C. § 157, the United States District Court for the District of Delaware.

23. "*Bankruptcy Rules*" means the Federal Rules of Bankruptcy Procedure promulgated under section 2075 of the Judicial Code and the general, local and chambers rules of the Bankruptcy Court.

24. "*Business Day*" means any day, other than a Saturday, Sunday or "legal holiday" (as defined in Bankruptcy Rule 9006(a)(6)).

25. "*Cash*" means the legal tender of the United States of America.

26. "*Causes of Action*" means any action, claim, cause of action, controversy, demand, right, action, Lien, indemnity, guaranty, suit, obligation, liability, damage, judgment, account, defense, offset, power, privilege, license and franchise of any kind or character whatsoever, known, unknown, contingent or non-contingent, matured or unmatured, suspected or unsuspected, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, whether arising before, on or after the Petition Date, in contract or in tort, in law or in equity, or pursuant to any other theory of law. Causes of Action also include: (a) any right of setoff, counterclaim or recoupment and any claim for breaches of duties imposed by law or in equity; (b) the right to object to Claims or Interests; (c) any claim pursuant to sections 362 or chapter 5 of the Bankruptcy Code; (d) any claim or defense including fraud, mistake, duress and usury and any other defenses set forth in section 558 of the Bankruptcy Code; and (e) any state law fraudulent transfer claim.

27. "*Chapter 11 Cases*" means (a) when used with reference to a particular Debtor, the case pending for that Debtor under chapter 11 of the Bankruptcy Code and (b) when used with reference to all Debtors, the procedurally consolidated chapter 11 cases pending for the Debtors in the Bankruptcy Court under case number 11-_____ ( ).

28. "*Claim*" means any claim, as such term is defined in section 101(5) of the Bankruptcy Code, against a Debtor.

29. "*Claims Bar Date*" means the date or dates to be established by the Bankruptcy Court by which Proofs of Claim must be Filed.

30. "*Claims Objection Deadline*" means, for each Claim, (a) 75 days after the Effective Date or (b) such other period of limitation as may be specifically fixed by an order of the Bankruptcy Court for objecting to certain Claims.

31. "*Claims Register*" means the official register of Claims maintained by Kurtzman Carson Consultants LLC, retained as the Debtors' notice, claims and solicitation agent.

32. "*Class*" means a class of Claims or Interests as set forth in Article III pursuant to section 1122(a) of the Bankruptcy Code.

33. "*Confirmation*" means the entry of the Confirmation Order on the docket of the Chapter 11 Cases, subject to all conditions specified in Article IX.A having been satisfied or waived pursuant to Article IX.C.

34. "*Confirmation Date*" means the date upon which the Bankruptcy Court enters the Confirmation Order on the docket of the Chapter 11 Cases, within the meaning of Bankruptcy Rules 5003 and 9021.

35. "*Confirmation Hearing*" means the confirmation hearing held by the Bankruptcy Court pursuant to section 1129 of the Bankruptcy Code, as such hearing may be continued from time to time.

36. "*Confirmation Order*" means the order of the Bankruptcy Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code.

37. "*Consenting First Lien Lenders*" means the Holders of First Lien Claims that are party to the Plan Support Agreement.

38. "*Consummation*" means the occurrence of the Effective Date.

39. "*Creditors' Committee*" means the statutory committee of unsecured creditors appointed by the U.S. Trustee in the Chapter 11 Cases pursuant to section 1102 of the Bankruptcy Code, as such committee membership may be amended by the U.S. Trustee from time to time.

40. "*Cure Claim*" means a Claim based upon a Debtor's default under an Executory Contract or Unexpired Lease at the time such contract or lease is assumed by the Debtor pursuant to section 365 of the Bankruptcy Code.

41. "*Cure Notice*" means a notice of a proposed amount to be paid on account of a Cure Claim in connection with an Executory Contract or Unexpired Lease to be assumed under the Plan pursuant to section 365 of the Bankruptcy Code, which notice shall include (a) procedures for objecting to proposed assumptions of Executory Contracts and Unexpired Leases, (b) Cure Claims to be paid in connection therewith and (c) procedures for resolution by the Bankruptcy Court of any related disputes.

42. "*D&O Liability Insurance Policies*" means all insurance policies for directors', managers' and officers' liability maintained by the Debtors as of the Petition Date, including the fiduciary liability coverage (executive risk) provided through Chartis Specialty Insurance Company, which provides coverage from June 1, 2010 through June 1, 2011 (Policy No. 01-880-05-84).

43. "*Debtor*" means one or more of the Debtors, as debtors and debtors in possession, each in its respective individual capacity as a debtor and debtor in possession in the Chapter 11 Cases.

44. "*Debtors*" means, collectively: (a) AIH; (b) Appleseed's Acquisition, Inc.; (c) Appleseed's Holdings, Inc.; (d) Arizona Mail Order Company, Inc.; (e) Bedford Fair Apparel, Inc.; (f) Blair Credit Services Corporation; (g) Blair Factoring Company; (h) Blair Holdings, Inc.; (i) Blair International Holdings, Inc.; (j) Blair LLC; (k) Blair Payroll, LLC; (l) Draper's & Damon's Acquisition LLC; (m) Draper's & Damon's LLC; (n) Fairview Advertising, LLC; (o) Gold Violin LLC; (p) Haband Acquisition LLC; (q) Haband Company LLC; (r) Haband Oaks, LP; (s) Haband Online, LLC; (t) Haband Operations, LLC; (u) Johnny Appleseed's, Inc.; (v) Linen Source Acquisition LLC; (w) LM&B Catalog, Inc.; (x) Monterey Bay Clothing Company, Inc.; (y) Norm Thompson Outfitters, Inc.; (z) NTO Acquisition Corporation; (aa) Orchard Brands Insurance Agency LLC; and (bb) Wintersilks, LLC.

45. "*DIP Facility Arranger*" means UBS Securities LLC, in its capacity as sole lead arranger and sole bookrunner under the DIP Facility Credit Agreement, together with its successors and assigns in such capacity.

46. "*DIP Facility Co-Collateral Agents*" means UBS AG, Stamford Branch and Wells Fargo Bank, N.A., in their respective capacity as collateral agent or co-collateral agent under the DIP Facility Credit Agreement, together with their respective successors and assigns in such capacity.

47. "*DIP Facility Credit Agreement*" means the agreement governing the 140 million senior secured super-priority debtor in possession credit facility, dated as of January 19, 2011 among the Debtors, the DIP Facility Tranche A Administrative Agent, the DIP Facility Tranche A Lenders, the DIP Facility Arranger, the DIP Facility Issuing Bank, the DIP Facility Swingline Lender, the DIP Facility Co-Collateral Agents, the DIP Facility Tranche B Agents and the DIP Facility Tranche B Lenders (as amended, restated, supplemented or otherwise modified from time to time).

48. "*DIP Facility Issuing Bank*" means UBS AG, Stamford Branch, in its capacity as issuing bank under the DIP Facility Credit Agreement, together with its successors and assigns in such capacity.

49. "*DIP Facility Swingline Lender*" means UBS Loan Finance LLC, in its capacity as swingline lender under the DIP Facility Credit Agreement, together with its successors and assigns in such capacity.

50. "*DIP Facility Tranche A*" means the debtor in possession asset-based revolving credit facility with committed availability up to $100 million under the DIP Facility Credit Agreement.

51. "*DIP Facility Tranche A Administrative Agent*" means UBS AG, Stamford Branch, in its capacity as the administrative agent for the DIP Facility Tranche A under the DIP Facility Credit Agreement, together with its successor and assigns in such capacity.

52. "*DIP Facility Tranche A Agents*" means, collectively, the DIP Facility Arranger, the DIP Facility Co-Collateral Agents, the DIP Facility Issuing Bank, the DIP Facility Swingline Lender and the DIP Facility Tranche A Administrative Agent.

53. "*DIP Facility Tranche A Claim*" means any Claim derived from, based upon, relating to or arising from the DIP Facility Tranche A under the DIP Facility Credit Agreement, including any Claims on account of issued and undrawn letters of credit.

54. "*DIP Facility Tranche A Lender*" means the institutions party from time to time as "Lenders" for the DIP Facility Tranche A under the DIP Facility Credit Agreement.

55. "*DIP Facility Tranche B*" means the debtor in possession term loan in the aggregate principal amount of $40 million under the DIP Facility Credit Agreement.

56. "*DIP Facility Tranche B Administrative Agent*" means Ableco Finance LLC, in its capacity as the administrative agent for the DIP Facility Tranche B under the DIP Facility Credit Agreement, together with its successor and assigns in such capacity.

57. "*DIP Facility Tranche B Agents*" means the DIP Facility Tranche B Administrative Agent and the DIP Facility Tranche B Disbursement Agent.

58. "*DIP Facility Tranche B Disbursement Agent*" means American Capital, Ltd., in its capacity as the disbursement agent for the DIP Facility Tranche B under the DIP Facility Credit Agreement, together with its successor and assigns in such capacity.

59. "*DIP Facility Tranche B Lender*" means the institutions party from time to time as "Lenders" for the DIP Facility Tranche B under the DIP Facility Credit Agreement.

60. "*DIP Facility Tranche B Claim*" means any Claim derived from, based upon, relating to or arising from the DIP Facility Tranche B.

61. "*DIP Order*" means any interim order (or orders) and the final order of the Bankruptcy Court, each in form and substance reasonably acceptable to the DIP Facility Tranche A Administrative Agent and the DIP Facility Tranche B Agents, authorizing, *inter alia*, the Debtors to enter into the DIP Facility Credit Agreement and incur postpetition obligations thereunder.

62. "*Disbursing Agent*" means the Reorganized Debtors or the Entity or Entities selected by the Debtors or Reorganized Debtors and identified in the Plan Supplement, as applicable, to make or facilitate distributions contemplated under the Plan.

63. "*Disclosure Statement*" means the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, dated January 19, 2011, as amended, supplemented or modified from time to time, including all exhibits and schedules thereto and references therein that relate to the Plan, and that is prepared and distributed in accordance with the Bankruptcy Code, the Bankruptcy Rules and any other applicable law.

64. *"Disputed"* means, with respect to any Claim or Interest, any Claim or Interest that is (a) disputed under the Plan, or subject, or potentially subject, to a timely objection and/or request for estimation in accordance with section 502(c) of the Bankruptcy Code and Bankruptcy Rule 3018, which objection and/or request for estimation has not been withdrawn or determined by a Final Order, (b) improperly asserted, by the untimely or otherwise improper filing of a Proof of Claim as required by order of the Bankruptcy Court or (c) that is disallowed pursuant to section 502(d) of the Bankruptcy Code. A Claim or Administrative Claim that is Disputed as to its amount shall not be Allowed in any amount for purposes of distribution until it is no longer a Disputed Claim.

65. *"Distribution Date"* means, with respect to a Claim that is Allowed as of the Effective Date, the date that is as soon as practicable after the Effective Date, but no later than ten days after the Effective Date.

66. *"Distribution Record Date"* means the date that the Confirmation Order is entered by the Bankruptcy Court.

67. *"Effective Date"* means the date selected by the Debtors that is a Business Day after the Confirmation Date on which (a) the conditions to the occurrence of the Effective Date have been met or waived pursuant to Article IX.B and Article IX.C and (b) no stay of the Confirmation Order is in effect. Unless otherwise specifically provided in the Plan, anything required to be done by the Debtors or the Reorganized Debtors, as applicable, on the Effective Date shall be done on the Effective Date.

68. *"Entity"* means an entity as such term is defined in section 101(15) of the Bankruptcy Code.

69. *"Estate"* means, as to each Debtor, the estate created for the Debtor in its Chapter 11 Case pursuant to section 541 of the Bankruptcy Code.

70. *"Exculpated Claim"* means any Claim related to any act or omission derived from, based upon, related to or arising from the Debtors' in or out-of-court restructuring efforts, the Chapter 11 Cases, formulation, preparation, dissemination, negotiation or filing of the Disclosure Statement, the Plan (including any term sheets related thereto) or any contract, instrument, release or other agreement or document created or entered into in connection with the Disclosure Statement, the Plan, the filing of the Chapter 11 Cases, the pursuit of Consummation and the administration and implementation of the Plan, including (a) the Plan Support Agreement; (b) the issuance of the New Common Stock, (c) the execution, delivery and performance of the New Loan Documents and (d) the distribution of property under the Plan or any other agreement.

71. "*Exculpated Party*" means each of: (a) the Debtors and the Reorganized Debtors; (b) the DIP Facility Tranche A Agents and DIP Facility Tranche A Lenders; (c) the DIP Facility Tranche B Agents and DIP Facility Tranche B Lenders (d) the ABL Agents and the ABL Lenders; (e) the First Lien Agent and the First Lien Lenders; (f) the Second Lien Note Agent and the Second Lien Note Purchasers; (g) the AIH Note Agent and AIH Note Purchasers; (h) with respect to each of the foregoing entities in clauses (b) through (g), such Entities' predecessors, successors and assigns subsidiaries, Affiliates, managed accounts or funds, current and former officers, directors, principals, members, partners, shareholders employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors, advisory board members and other professionals, and such Persons' respective heirs, executors, estates, servants and nominees; and (i) the Debtors' and the Reorganized Debtors' subsidiaries, current and former officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants,

representatives, management companies, fund advisors and other Professionals, and such Persons' respective heirs, executors, estates, servants and nominees.

72. "*Existing Benefits Agreements*" means the employment, retirement, indemnification and other similar or related agreements or arrangements in existence as of the Petition Date that have been included in the Plan Supplement pursuant to Article IV.N.

73. "*Executory Contract"* means a contract to which one or more of the Debtors is a party and that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

74. "*Federal Judgment Rate"* means [___]%, the federal judgment rate in effect as of the Petition Date.

75. "*Fee Claim"* means a Claim for Accrued Professional Compensation.

76. "*Fee Claims Escrow Account"* means the account established pursuant to Article IV.Q.

77. "*File," "Filed"* or "*Filing"* means file, filed or filing with the Bankruptcy Court or its authorized designee in the Chapter 11 Cases.

78. "*Final Order"* means, as applicable, an order or judgment of the Bankruptcy Court or other court of competent jurisdiction with respect to the relevant subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be filed has been resolved by the highest court to which the order or judgment could be appealed or from which certiorari could be sought or the new trial, reargument or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

79. "*First Lien Agent"* means Wilmington Trust FSB in its capacity as successor administrative agent under the First Lien Credit Agreement.

80. "*First Lien Claim"* means any Claim derived from, based upon, relating to or arising from the First Lien Credit Agreement.

81. "*First Lien Credit Agreement*" means the certain Credit Agreement, dated as of April 30, 2007, among Blair Corporation, Haband Company, Inc., Johnny Appleseed's, Inc., Norm Thompson Outfitters, Inc. and Draper's & Damon's, Inc., as borrowers, each of the other Debtors, as guarantors, the First Lien Lenders, the First Lien Agent, American Capital Strategies, Ltd. and UBS Securities LLC, as joint lead arrangers and joint bookrunners and American Capital Financial Services, Inc., as syndication agent, and any guarantees, security documents and other documents in connection therewith (as amended, restated, supplemented or otherwise modified from time to time).

82. "*First Lien Lenders"* means the institutions party from time to time as "Lenders" under the First Lien Credit Agreement.

83. "*First Lien Secured Claim"* means any Secured Claim derived from, based upon, relating to or arising from the First Lien Credit Agreement.

84. "*First Lien Deficiency Claim"* means any Claim derived from, based upon, relating to or arising from the First Lien Credit Agreement, other than a First Lien Secured Claim.

85. "*General Unsecured Claim"* means any Unsecured Claim, including First Lien Deficiency Claims and Second Lien Note Deficiency Claims, that is not (a) a Qualified Unsecured Trade Claim, (b) an AIH Note Claim or (c) an Intercompany Claim.

86. "*Governmental Unit*" means a governmental unit as defined in section 101(27) of the Bankruptcy Code.

87. "*Holder*" means an Entity holding a Claim or an Interest.

88. "*Impaired*" means, with respect to a Class of Claims or Interests, a Class of Claims or Interests that is impaired within the meaning of section 1124 of the Bankruptcy Code.

89. "*Intercompany Claim*" means any Claim held by a Debtor against another Debtor.

90. "*Interim Compensation Order*" means the *Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals* [Docket No. ###].

91. "*Intercompany Interest*" means an Interest in a Debtor held by another Debtor.

92. "*Intercreditor Agreement*" means the Intercreditor Agreement, dated as of April 30, 2007, by and among the ABL Administrative Agent, the First Lien Agent and the Second Lien Agent (as amended, restated, supplemented or otherwise modified from time to time).

93. "*Interests*" means any equity security in a Debtor as defined in section 101(16) of the Bankruptcy Code, including all issued, unissued, authorized or outstanding shares of capital stock of the Debtors together with any warrants, options or contractual rights to purchase or acquire such equity securities at any time and all rights arising with respect thereto.

94. "*Judicial Code*" means title 28 of the United States Code, 28 U.S.C. §§ 1–4001.

95. "*Lien*" *me*ans a lien as defined in section 101(37) of the Bankruptcy Code.

96. "*Management Equity Incentive Program*" means that certain post-Effective Date equity incentive program, which shall consist of restricted stock units, stock options, stock appreciation rights and/or similar rights and interests, with 10% of the New Common Stock issued on the Effective Date reserved for such program.

97. "*New ABL Facility*" means a committed asset-based revolving credit facility in a face amount of no less than $80 million (including $30 million available in letters of credit) that will be entered into by the Reorganized Debtors on the Effective Date pursuant to the New ABL Facility Credit Agreement.

98. "*New ABL Facility Credit Agreement*" means the loan agreement, dated as of the Effective Date, which will govern the New ABL Facility, the form of which shall be included in the Plan Supplement.

99. "*New AIH Board*" means the initial board of directors of Reorganized AIH.

100. "*New Boards*" mean, collectively, the New AIH Board and the New Subsidiary Boards.

101. "*New By-Laws*" means the form of the by-laws of each of Reorganized AIH and the Reorganized Debtors, which forms shall be included in the Plan Supplement.

102. "*New Certificates of Incorporation*" means the form of the certificates of incorporation of Reorganized AIH and the Reorganized Debtors, which forms shall be included in the Plan Supplement.

103. "*New Common Stock*" means a certain number of common shares in the capital of Reorganized AIH authorized pursuant to the Plan, of which up to 200 million shares shall be initially issued and outstanding as of the Effective Date. Such shares shall consist of (a) a class of full-voting shares having economic rights as set forth in the New Certificate of Incorporation of Reorganized AIH and the New Stockholders Agreement (the "***Class A Common Stock***") and (b) a class of limited-voting shares having economic rights as set forth in the New Certificate of Incorporation of Reorganized AIH and the New Stockholders Agreement (the "***Class B Common Stock***").

104. "*New Employment Agreements*" means the employment agreements, if any, between Reorganized AIH and members of the Debtors' management team with any such agreements to be included in the Plan Supplement as provided in Article I.A.122.

105. "*New First Lien Term Loan*" means a first priority senior secured term loan in the amount of $200 million pursuant to the New First Lien Term Loan Credit Agreement.

106. "*New First Lien Term Loan Credit Agreement*" means the loan agreement, to be dated as of the Effective Date that will govern the New First Lien Term Loan, the form of which shall be included in the Plan Supplement.

107. "*New Intercreditor Agreement*" means the intercreditor agreement, dated as of the Effective Date, governing the New ABL Facility Credit Agreement, the New Senior Term Loan Credit Agreement, the New First Lien Term Loan Credit Agreement and the New Junior Term Loan Credit Agreement, the form of which shall be included in the Plan Supplement.

108. "*New Junior Term Loan*" means a second priority secured term loan in the amount of $43 million pursuant to the New Junior Term Loan Credit Agreement.

109. "*New Junior Term Loan Agreement*" means the loan agreement, to be dated as of the Effective Date that will govern the New Junior Term Loan, the form of which shall be included in the Plan Supplement.

110. "*New Loan Documents*" means, collectively, the New ABL Facility Credit Agreement, the New Senior Term Loan Credit Agreement, the New First Lien Term Loan Credit Agreement and the New Junior Term Loan Credit Agreement.

111. "*New Loans*" means, collectively, the New ABL Facility, the New Senior Term Loan, the New First Lien Term Loan and the New Junior Term Loan.

112. "*New Registration Rights Agreement*" means that certain agreement, by and among Reorganized AIH and the Holders of the New Common Stock, the form of which shall be included in the Plan Supplement.

113. "*New Senior Term Loan*" means a first priority secured term loan in the amount of $35 million (or $40 million to the extent the DIP Facility Tranche B is fully drawn as of the Effective Date) made pursuant to the New Senior Term Loan Credit Agreement.

114. "*New Senior Term Loan Credit Agreement*" means the loan agreement, to be dated as of the Effective Date that will govern the New Senior Term Loan, the form of which shall be included in the Plan Supplement.

115. "*New Stockholders Agreement*" means that certain agreement, by and among Reorganized AIH and the holders of the New Common Stock, the form of which shall be included in the Plan Supplement.

116. "*New Subsidiary Boards*" means, with respect to each of the Reorganized Debtors other than Reorganized AIH, the initial board of directors of each such Reorganized Debtor.

117. "*Ordinary Course Professional Order*" means the *Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business* [Docket No. ###].

118. "*Other Secured Claim*" means any Secured Claim that is not (a) an ABL Claim, (b) a First Lien Secured Claim, (c) a Second Lien Note Claim, (d) a DIP Facility Tranche A Claim or (e) a DIP Facility Tranche B Claim.

119. "*Person*" means a person as such term as defined in section 101(41) of the Bankruptcy Code.

120. "*Petition Date*" means January 19, 2011, the date on which each of the Debtors commenced the Chapter 11 Cases.

121. "*Plan*" means this *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, including the Plan Supplement (as modified, amended or supplemented from time to time), which is incorporated herein by reference.

122. "*Plan Supplement*" means the compilation of documents and forms of documents, schedules and exhibits to the Plan to be Filed by the Debtors no later than five days before the Voting Deadline on notice to parties in interest, and additional documents Filed before the Effective Date as supplements or amendments to the Plan Supplement, including the following: (a) the New By-Laws; (b) the New Certificates of Incorporation; (c) the Rejected Executory Contract and Unexpired Lease List (d) a list of retained Causes of Action, if any; (e) subject to the terms of Article IV.K, the Management Equity Incentive Program; (f) the New Stockholders Agreement; (g) the New Registration Rights Agreement; (h) the Assumed Executory Contract and Unexpired Lease List; (i) the Qualified Vendor Support Agreement; (j) the identification of any Disbursing Agent other than the Reorganized Debtors; (k) the New Intercreditor Agreement; (l) the New ABL Facility Credit Agreement; (m) the New Senior Term Loan Credit Agreement; (n) the New First Lien Term Loan Credit Agreement; (o) the New Junior Term Loan Credit Agreement; (p) the Existing Benefits Agreements, that have been consented to as provided in Article IV.N; and (q) the New Employment Agreements that have been consented to by each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims. Any reference to the Plan Supplement in this Plan shall include each of the documents identified above as (a) through (q). The Debtors shall have the right to amend the documents contained in, and exhibits to, the Plan Supplement through the Effective Date in accordance with Article IX.B hereof and the terms set forth herein relating to necessary consent.

123. "*Plan Support Agreement*" means the agreement, effective as of January 19, 2011, among the Debtors and (a) certain Holders of First Lien Claims holding more than 66 2/3% of the total First Lien Claims, (b) certain Holders of Second Lien Note Claims holding 100% of the total Second Lien Note Claims and (c) certain Holders of AIH Notes Claims holding 100% of the total AIH Note Claims, pursuant to which such Holders agreed (subject to certain conditions specified therein) to support, and vote in favor of, this Plan.

124. "*Priority Non-Tax Claims*" means any Claim, other than an Administrative Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

125. "*Priority Tax Claim*" means any Claim of the kind specified in section 507(a)(8) of the Bankruptcy Code.

126. "*Professional*" means an Entity: (a) employed pursuant to a Bankruptcy Court order in accordance with sections 327, 363 or 1103 of the Bankruptcy Code and to be compensated for services rendered before or on the Confirmation Date, pursuant to sections 327, 328, 329, 330, 331 and 363 of the Bankruptcy Code or (b) awarded compensation and reimbursement by the Bankruptcy Court pursuant to section 503(b)(4) of the Bankruptcy Code.

127. "*Proof of Claim*" means a written proof of Claim Filed against any of the Debtors in the Chapter 11 Cases.

128. "*Pro Rata*" means the proportion that an Allowed Claim in a particular Class bears to the aggregate amount of all Allowed Claims in that Class.

129. "*Qualified Unsecured Trade Claims*" means all Unsecured Claims directly relating to and arising solely from the receipt of goods and services by the Debtors arising with, and held by, Entities with whom the Debtors are conducting, and will continue to conduct, business as of the Effective Date, which Entities have executed a Qualified Vendor Support Agreement; *provided*, *however*, that Qualified Unsecured Trade Claims shall not include Administrative Claims.

130. "*Qualified Vendor Support Agreement*" means the support agreement entered into by Holders of Qualified Unsecured Trade Claims and the applicable Reorganized Debtor on the Confirmation Date, the form of which will be included in the Plan Supplement, in which such Holder shall agree to provide payment terms no less advantageous (from the perspective of the Reorganized Debtor) than those terms provided as of the Petition Date for at least 18 months following the Effective Date.

131. "*Reinstated*" means, with respect to Claims and Interests, the treatment provided for in section 1124 of the Bankruptcy Code.

132. "*Rejected Executory Contract and Unexpired Lease List*" means the list (as may be amended), as determined by the Debtors or the Reorganized Debtors, of Executory Contracts and Unexpired Leases (including any amendments or modifications thereto) that will be rejected by the Reorganized Debtors pursuant to the provisions of Article V and which shall be included in the Plan Supplement.

133. "*Rejection Claim*" means a Claim arising from the rejection of an Executory Contract or Unexpired Lease pursuant to section 365 of the Bankruptcy Code.

134. "*Released Party*" means each of: (a) the Debtors and Reorganized Debtors; (b) the ABL Agents and the ABL Lenders; (c) the First Lien Agent and the First Lien Lenders; (d) the Second Lien Note Agent and the Second Lien Purchasers; (e) the Holders of the AIH Note Claims; (f) the AIH Note Agent; (g) the DIP Facility Tranche A Agents; (h) the DIP Facility Tranche A Lenders; (i) the DIP Facility Tranche B Agents; (j) the DIP Facility Tranche B Lenders; (k) with respect to each of the foregoing Entities in clauses (b) through (j), such Entities' predecessors, successors and assigns, subsidiaries, Affiliates, managed accounts or funds, current and former officers, directors, principals, shareholders, members, partners, employees, agents, advisory board members, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals; and (l) the Debtors' and the Reorganized Debtors' subsidiaries, current and former officers, directors, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, management companies, fund advisors and other Professionals, and such Persons' respective heirs, executors, estates, servants and nominees.

135. "*Reorganized AIH*" means AIH, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date, it being understood that, as of the Effective Date, Reorganized AIH shall be a corporation organized under the laws of the state of Delaware.

136. "*Reorganized Debtors*" means the Debtors, or any successor thereto, by merger, consolidation or otherwise, on or after the Effective Date.

137. "*Schedules*" means, collectively, the schedules of assets and liabilities, schedules of Executory Contracts and Unexpired Leases and statements of financial affairs Filed by the Debtors pursuant to section 521 of the Bankruptcy Code, as such schedules may be amended, modified or supplemented from time to time.

138. "*Second Lien Note Agent*" means American Capital, Ltd. (successor by merger to American Capital Financial Services, Inc.) in its capacity as administrative agent under the Second Lien Note Purchase Agreement.

139. "*Second Lien Note Claim*" means any Secured Claim derived from, based upon, relating to or arising from the Second Lien Note Purchase Agreement.

140. "*Second Lien Note Deficiency Claim*" means any Claim derived from, based upon, relating to or arising from the Second Lien Note Purchase Agreement, other than a Second Lien Note Claim.

141. "*Second Lien Note Purchasers*" means the institutions party from time to time as "Purchasers" under the Second Lien Note Purchase Agreement.

142. "*Second Lien Note Purchase Agreement*" means the Note Purchase Agreement, dated as of April 30, 2007, among Blair Corporation, Haband Company, Inc., Johnny Appleseed's, Inc., Norm Thompson Outfitters, Inc. and Draper's & Damon's, Inc., as issuers, each of the other Debtors, as guarantors, the Second Lien Note Purchasers, the Second Lien Note Agent and American Capital Strategies, Ltd. as sole lead arranger and bookrunner, and any guarantees, security documents and other documents related thereto (as amended, restated, supplemented or otherwise modified from time to time).

143. *"Secured"* means when referring to a Claim: (a) secured by a Lien on property in which the Estate has an interest, which Lien is valid, perfected and enforceable pursuant to applicable law or by reason of a Bankruptcy Court order, or that is subject to setoff pursuant to section 553 of the Bankruptcy Code, to the extent of the value of the creditor's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to section 506(a) of the Bankruptcy Code or (b) Allowed as such pursuant to the Plan.

144. "*Securities Act"* means the Securities Act of 1933, 15 U.S.C. §§ 77a-77aa, together with the rules and regulations promulgated thereunder.

145. *"Security"* means a security as defined in section 2(a)(1) of the Securities Act.

146. "*Unexpired Lease"* means a lease to which one or more of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

147. "*Unsecured Claim"* means any Claim that is neither Secured nor entitled to priority under the Bankruptcy Code or an order of the Bankruptcy Court, including any Claim arising from the rejection of an Executory Contract or Unexpired Lease under section 365 of the Bankruptcy Code.

148. "*U.S. Trustee"* means the United States Trustee for the District of Delaware.

149. "*Voting Deadline*" means 4:00 p.m. (prevailing Eastern Time) on [_____, 2011].

B. Rules of Interpretation.

For purposes of this Plan: (1) in the appropriate context, each term, whether stated in the singular or the plural, shall include both the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and the neuter gender; (2) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document shall be substantially in that form or substantially on those terms and conditions; (3) any reference herein to an existing document, schedule or exhibit, whether or not Filed, having been Filed or to be Filed shall mean that document, schedule or exhibit, as it may thereafter be amended, modified or supplemented; (4) any reference to an Entity as a Holder of a Claim or Interest includes that Entity's successors and assigns; (5) unless otherwise specified, all references herein to "Articles" are references to Articles hereof or hereto; (6) unless otherwise specified, all references herein to exhibits are references to exhibits in the Plan Supplement; (7) unless otherwise specified, the words "herein," "hereof" and "hereto" refer to the Plan in its entirety rather than to a particular portion of the Plan; (8) subject to the provisions of any contract, certificate of incorporation, bylaw, instrument, release or other agreement or document entered into in connection with the Plan, the rights and obligations arising pursuant to the Plan shall be governed by, and construed and enforced in accordance with the applicable federal law, including the Bankruptcy Code and the Bankruptcy Rules; (9) captions and headings to Articles are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of the Plan; (10) unless otherwise specified herein, the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (11) all references to docket numbers of documents Filed in the Chapter 11 Cases are references to the docket numbers under the Bankruptcy Court's CM/ECF system; (12) all references to statutes, regulations, orders, rules of courts and the like shall mean as amended from time to time, and as applicable to the Chapter 11 Cases, unless otherwise stated; and (13) any immaterial effectuating provisions may be interpreted by the Reorganized Debtors in such a manner that is consistent with the overall purpose and intent of the Plan all without further Bankruptcy Court order.

C. Computation of Time.

Unless otherwise specifically stated herein, the provisions of Bankruptcy Rule 9006(a) shall apply in computing any period of time prescribed or allowed herein.

D. Governing Law.

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of New York, without giving effect to the principles of conflict of laws, shall govern the rights, obligations, construction and implementation of the Plan, any agreements, documents, instruments or contracts executed or entered into in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control); *provided*, *however*, that corporate governance matters relating to the Debtors or the Reorganized Debtors, as applicable, not incorporated in New York shall be governed by the laws of the state or province of incorporation of the applicable Debtor or Reorganized Debtor, as applicable.

E. Reference to Monetary Figures.

All references in the Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

F. Reference to the Debtors or the Reorganized Debtors.

Except as otherwise specifically provided in the Plan to the contrary, references in the Plan to the Debtors or the Reorganized Debtors shall mean the Debtors and the Reorganized Debtors, as applicable, to the extent the context requires.

ARTICLE II.
ADMINISTRATIVE CLAIMS AND OTHER UNCLASSIFIED CLAIMS

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

A. Administrative Claims.

1. Administrative Claims.

Except with respect to Administrative Claims that are Fee Claims and except to the extent that a Holder of an Allowed Administrative Claim and the applicable Debtor(s) agree to less favorable treatment with respect to such Holder, each Holder of an Allowed Administrative Claim shall be paid in full in Cash on the later of: (a) on or as soon as reasonably practicable after the Effective Date if such Administrative Claim is Allowed as of the Effective Date; (b) on or as soon as reasonably practicable after the date such Administrative Claim is Allowed; and (c) the date such Allowed Administrative Claim becomes due and payable, or as soon thereafter as is practicable; *provided*, *however*, that Allowed Administrative Claims that arise in the ordinary course of the Debtors' business shall be paid in full in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing or other documents relating to such transactions. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be Filed with respect to an Administrative Claim previously Allowed by Final Order. For purposes of this Plan, all Administrative Claims arising or granted under the DIP Order shall be deemed Allowed by Final Order.

2. Professional Compensation.

(a) *Fee Claims.*

Professionals asserting a Fee Claim for services rendered before the Confirmation Date must File and serve on the Debtors and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, the Interim Compensation Order or any other applicable order of the Bankruptcy Court, an application for final allowance of such Fee Claim no later than 20 days after the Effective Date; *provided*, *however*, that any Professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professional Order may continue to receive such compensation or reimbursement of expenses for services rendered before the Confirmation Date, without further Bankruptcy Court order, pursuant to the Ordinary Course Professional Order. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party no later than 40 days after the Effective Date. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims.

(b) *Post-Confirmation Date Fees and Expenses.*

Except as otherwise specifically provided in the Plan, from and after the Confirmation Date, the Reorganized Debtors shall, in the ordinary course of business and without any further notice to or action, order or approval of the Bankruptcy Court, subject to the terms of the DIP Order, pay in Cash the reasonable legal, professional or other fees and expenses related to implementation and Consummation of the Plan incurred by the Reorganized Debtors through and including the Effective Date. Upon the Confirmation Date, any requirement that Professionals comply with sections 327 through 331 and 1103 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors may employ and pay any Professional for services rendered or expenses incurred after the Confirmation Date in the ordinary course of business without any further notice to any party or action, order or approval of the Bankruptcy Court.

3. Administrative Claim Bar Date.

Except as otherwise provided in this Article II.A, requests for payment of Administrative Claims must be Filed and served on the Reorganized Debtors pursuant to the procedures specified in the Confirmation Order and the notice of entry of the Confirmation Order no later than 15 days after entry of the Confirmation Order. Holders of Administrative Claims that are required to, but do not, File and serve a request for payment of such Administrative Claims by such date shall be forever barred, estopped and enjoined from asserting such Administrative Claims against the Debtors or their property and such Administrative Claims shall be deemed discharged as of the Effective Date. Objections to such requests, if any, must be Filed and served on the Reorganized Debtors and the requesting party no later than 60 days after the Effective Date.

B. Priority Tax Claims.

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Tax Claim, each holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive, on the Distribution Date, at the option of the Debtors, one of the following treatments: (1) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; (2) Cash in an aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of time not to exceed five years after the Petition Date, pursuant to section 1129(a)(9)(C) of the Bankruptcy Code, plus interest at the rate determined under applicable nonbankruptcy law and to the extent provided for by section 511 of the Bankruptcy Code; or (3) such other treatment as may be agreed upon by such holder and the Debtors or otherwise determined upon an order of the Bankruptcy Court.

C. Statutory Fees.

On the Distribution Date, the Debtors shall pay, in full in Cash, any fees due and owing to the U.S. Trustee at the time of Confirmation. On and after the Effective Date, Reorganized AIH shall pay the applicable U.S. Trustee fees for each of the Reorganized Debtors until the entry of a final decree in such Debtor's Chapter 11 Case or until such Chapter 11 Case is converted or dismissed.

ARTICLE III.
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

A. Classification of Claims and Interests.

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Interests. All Claims and Interests, except for Administrative Claims and Priority Tax Claims, are classified in the Classes set forth in this Article III. 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 also is classified in a particular Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that Class and has not been paid, released or otherwise satisfied before the Effective Date.

B. Summary of Classification.

The Plan constitutes a separate chapter 11 plan of reorganization for each Debtor and, unless otherwise explained herein, the classifications set forth in Classes 1A to 11 shall be deemed to apply to each Debtor, as applicable. Only AIH is obligated under the AIH Note Purchase Agreement and, therefore, AIH is the only Debtor that possesses a Class 7 with respect to the AIH Note Claims. AIH is also the only Debtor that possesses a Class 10 with respect to Interests in AIH.

The following chart summarizes the classification of Claims and Interests pursuant to the Plan:

Class	Claim/Interest	Status	Voting Rights
1A	DIP Facility Tranche A Claims	Not Impaired	Deemed to Accept
1B	DIP Facility Tranche B Claims	Impaired	Entitled to Vote
2	Priority Non-Tax Claims	Not Impaired	Deemed to Accept
3	Other Secured Claims	Not Impaired	Deemed to Accept
4	First Lien Secured Claims	Impaired	Entitled to Vote
5	Second Lien Note Claims	Impaired	Entitled to Vote
6A	Qualified Unsecured Trade Claims	Impaired	Entitled to Vote
6B	General Unsecured Claims	Impaired	Deemed to Reject
7	AIH Note Claims	Impaired	Deemed to Reject
8	Intercompany Claims	Impaired	Deemed to Accept
9	Intercompany Interests	Not Impaired	Deemed to Accept
10	Interests in AIH	Impaired	Deemed to Reject

C. Treatment of Claims and Interests.

To the extent a Class contains Allowed Claims or Allowed Interests with respect to a particular Debtor, the treatment provided to each Class for distribution purposes is specified below:

1. Class 1A - DIP Facility Tranche A Claims

(a) *Classification*: Class 1A consists of DIP Facility Tranche A Claims.

(b) *Allowance*: The DIP Facility Tranche A Claims shall be Allowed and deemed to be Allowed Claims in Class 1A in the full amount outstanding under the DIP Facility Credit Agreement with respect to the DIP Facility Tranche A as of the Effective Date.

(c) *Treatment*: Except to the extent that a Holder of a DIP Facility Tranche A Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of the DIP Facility Tranche A Claims, each Holder of a DIP Facility Tranche A Claim shall receive on the Effective Date payment in full, in Cash (or, with respect to any DIP Facility Tranche A Claims on account of issued and undrawn letters of credit, at the option of the DIP Facility Issuing Bank, cash collateral in the amount of 105% of the aggregate amount of such letters of credit) provided that such payments shall be distributed to the DIP Facility Tranche A Administrative Agent on behalf of Holders of such DIP Facility Tranche A Claims. In addition to the foregoing, on the Effective Date, the Debtors shall be required to pay all reasonable and documented fees and out-of-pocket costs and expenses of the DIP Facility Tranche A Agents and the DIP Facility Tranche A Lenders as provided in the DIP Order and the DIP Credit Agreement, as applicable.

(d) *Voting*: Class 1A is not Impaired by the Plan, and each Holder of a Class 1A DIP Facility Tranche A Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 1A DIP Facility Tranche A Claims are not entitled to vote to accept or reject the Plan.

2. Class 1B - DIP Facility Tranche B Claims

(a) *Classification*: Class 1B consists of DIP Facility Tranche B Claims.

(b) *Allowance*: The DIP Facility Tranche B Claims shall be Allowed and deemed to be Allowed Claims in Class 1B in the full amount outstanding under the DIP Facility Credit Agreement with respect to the DIP Facility Tranche B as of the Effective Date.

(c) *Treatment*: Except to the extent that a Holder of a DIP Facility Tranche B Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of the DIP Facility Tranche B Claims, each Holder of a DIP Facility Tranche B Claim shall receive its Pro Rata share of the New Senior Term Loan. In addition to the foregoing, on the Effective Date the Debtors shall be required to pay all reasonable and documented fees, out-of-pocket costs and expenses of the Tranche B DIP Agents as provided in the DIP Order and the DIP Credit Agreement, as applicable.

(d) *Voting*: Class 1B is Impaired. Therefore, Holders of Class 1B DIP Facility Tranche B Claims are entitled to vote to accept or reject the Plan.

3. Class 2 - Priority Non-Tax Claims.

(a) *Classification*: Class 2 consists of Priority Non-Tax Claims.

(b) *Treatment*: Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Priority Non-Tax Claim, each Holder of such Allowed Priority Non-Tax Claim shall be paid in full in Cash on or as reasonably practicable after (i) the Effective Date, (ii) the date on which such Priority Non-Tax Claim against the Debtors becomes an Allowed Priority Non-Tax Claim or (iii) such other date as may be ordered by the Bankruptcy Court.

(c) *Voting*: Class 2 is not Impaired by the Plan, and each Holder of a Class 2 Priority Non-Tax Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 2 Priority Non-Tax Claims are not entitled to vote to accept or reject the Plan.

4. Class 3 - Other Secured Claims.

(a) *Classification:* Class 3 consists of Other Secured Claims.

(b) *Treatment:* Except to the extent that a Holder of an Other Secured Claim agrees to a less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Other Secured Claim, each Holder of such Allowed Other Secured Claim shall receive one of the following treatments, in the sole discretion of the applicable Debtor: (i) the Debtors or the Reorganized Debtors shall pay such Allowed Other Secured Claims in full in Cash, including the payment of any interest required to be paid under section 506(b) of the Bankruptcy Code; (ii) the Debtors or the Reorganized Debtors shall deliver the collateral securing any such Allowed Other Secured Claim; or (iii) the Debtors or the Reorganized Debtors shall otherwise treat such Allowed Other Secured Claim in any other manner such that the Claim shall be rendered not Impaired.

(c) *Voting:* Class 3 is not Impaired by the Plan, and each Holder of a Class 3 Other Secured Claim is conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 3 Other Secured Claims are not entitled to vote to accept or reject the Plan.

5. Class 4 - First Lien Secured Claims.

(a) *Classification:* Class 4 consists of First Lien Secured Claims.

(b) *Allowance:* The First Lien Secured Claims shall be Allowed.

(c) *Treatment:* In exchange for full and final satisfaction, settlement, release and discharge of the First Lien Secured Claims, each Holder of such Allowed First Lien Secured Claim shall receive a Pro Rata distribution of (i) the New First Lien Term Loan, (ii) the New Junior Loan and (iii) 95% of the New Common Stock in the form of Class A Common Stock to be issued on the Effective Date (subject to dilution on account of the Management Equity Incentive Program). In addition to the foregoing, on the Effective Date, the Debtors shall be required to pay all reasonable and documented fees, out-of-pocket costs and expenses of the First Lien Agent and the Ad Hoc Group of First Lien Lenders, in each case, as provided in the First Lien Credit Agreement, the DIP Order and the DIP Credit Agreement, as applicable.

(d) *Voting*: Class 4 is Impaired by the Plan. Therefore, Holders of Class 4 First Lien Secured Claims are entitled to vote to accept or reject the Plan.

6. Class 5 - Second Lien Note Claims.

(a) *Classification:* Class 5 consists of Second Lien Note Claims.

(b) *Allowance*: The Second Lien Note Claims shall be Allowed.

(c) *Treatment:* In exchange for full and final satisfaction, settlement, release and discharge of the Second Lien Note Claims, each Holder of such Allowed Second Lien Note Claim shall receive its Pro Rata share of 5% of the New Common Stock in the form of Class B Common Stock to be issued on the Effective Date (subject to dilution on account of the Management Equity Incentive Program). In addition to the foregoing, on the Effective Date the Debtors shall be required to pay all reasonable and documented fees, out-of-pocket costs and expenses of the Second Lien Agent as provided in the Second Lien Note Purchase Agreement, the DIP Order and the DIP Credit Agreement, as applicable.

(d) *Voting:* Class 5 is Impaired. Therefore, Holders of Class 5 Second Lien Note Claims are entitled to vote to accept or reject the Plan.

7. Class 6A - Qualified Unsecured Trade Claims.

(a) *Classification:* Class 6A consists of Qualified Unsecured Trade Claims.

(b) *Treatment:* Except to the extent that a Holder of an Allowed Qualified Unsecured Trade Claim agrees to less favorable treatment, in exchange for full and final satisfaction, settlement, release and discharge of each Allowed Qualified Unsecured Trade Claim, and subject to execution of, and continued performance under, a Qualified Vendor Support Agreement, each Holder of an Allowed Qualified Unsecured Trade Claim will be paid in accordance with the terms of the Qualified Vendor Support Agreement between the applicable Debtor and the Holder of an Allowed Qualified Unsecured Trade Claim (i) on the Effective Date or as soon as reasonably practicable thereafter or (ii) in the ordinary course of business in accordance with the terms of any agreement that governs such Allowed Qualified Unsecured Trade Claim or in accordance with the course of practice between the Debtors and such Holder with respect to such Allowed Qualified Unsecured Trade Claim to the extent such Allowed Qualified Unsecured Trade Claim is not otherwise satisfied or waived on or before the Effective Date; *provided*, *however*, that Holders of Qualified Unsecured Trade Claims are not entitled to postpetition interest, late fees or penalties on account of such Claims. Holders of Allowed Qualified Unsecured Trade Claims who received any payments from the Debtors during the Chapter 11 Cases pursuant to any order of the Bankruptcy Court shall not be excluded from receiving distributions under the Plan on account of such Claims unless such Claims were fully satisfied by any prior payments from the Debtors or otherwise waived.

(c) *Voting:* Class 6A is Impaired by the Plan. Therefore, Holders of Class 6A Claims are entitled to vote to accept or reject the Plan.

8. Class 6B - General Unsecured Claims.

(a) *Classification:* Class 6B consists of General Unsecured Claims.

(b) *Treatment:* Holders of General Unsecured Claims will not receive any distribution on account of such General Unsecured Claims. On the Effective Date, General Unsecured Claims shall be cancelled and discharged.

(c) *Voting:* Class 6B is Impaired and Holders of Class 6B General Unsecured Claims are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the

Bankruptcy Code. Therefore, Holders of Class 6B General Unsecured Claims are not entitled to vote to accept or reject the Plan.

9. Class 7 - AIH Note Claims

(a) *Classification:* Class 7 consists of AIH Note Claims.

(b) *Treatment:* Holders of AIH Note Claims will not receive any distribution on account of such AIH Note Claims. On the Effective Date, AIH Note Claims shall be cancelled and discharged.

(c) *Voting:* Class 7 is Impaired and Holders of Class 7 AIH Note Claims are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, Holders of Class 7 AIH Note Claims are not entitled to vote to accept or reject the Plan.

10. Class 8 - Intercompany Claims.

(a) *Classification:* Class 8 consists of Intercompany Claims.

(b) *Treatment:* On the Effective Date, or as soon thereafter as is practicable, Intercompany Claims will be paid, adjusted, reinstated in full or in part or cancelled or discharged in full or in part, in each case, to the extent determined appropriate by the Reorganized Debtors. The Debtors and the Reorganized Debtors will be entitled to transfer funds between and among themselves as they determine to be necessary or appropriate to enable the Reorganized Debtors to satisfy their obligations under the Plan. Except as set forth herein, any changes in intercompany account balances resulting from such transfers will be accounted for and settled in accordance with the Debtors' historical intercompany account settlement practices.

(c) *Voting:* Holders of Class 8 Intercompany Claims are Impaired. Holders of Class 8 Intercompany Claims are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

11. Class 9 - Intercompany Interests.

(a) *Classification:* Class 9 consists of Intercompany Interests.

(b) *Treatment*: Intercompany Interests shall be Reinstated.

(c) *Voting*: Class 9 is not Impaired by the Plan and Holders of Class 9 Intercompany Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 9 Intercompany Interests are not entitled to vote to accept or reject the Plan.

12. Class 10 - Interests in AIH.

(a) *Classification:* Class 10 consists of Interests in AIH.

(b) *Treatment:* Holders of Interests in AIH shall not receive any distribution on account of such Interests. On the Effective Date, Interests in AIH shall be cancelled and discharged.

(c) *Voting:* Class 10 is Impaired and Holders of Class 10 Interests in AIH are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code.

Therefore, Holders of Class 10 Interests in AIH are not entitled to vote to accept or reject the Plan.

D. Special Provision Governing Claims that are Not Impaired.

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Claims that are not Impaired, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Claims that are not Impaired.

E. Acceptance or Rejection of the Plan.

1. Voting Classes.

Classes 1B, 4, 5, and 6A are Impaired under the Plan and are entitled to vote to accept or reject the Plan.

2. Presumed Acceptance of the Plan.

Classes 1A, 2, 3 and 9 are not Impaired under the Plan, and the Holders in such Classes are deemed to have accepted the Plan and are not entitled to vote to accept or reject the Plan. Additionally, Holders in Class 8 are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code because all Holders in Class 8 for each of the Debtors are proponents of the Plan.

3. Presumed Rejection of Plan.

Classes 6B, 7 and 10 are Impaired and shall receive no distribution under the Plan. The Holders in such Classes are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

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

Section 1129(a)(10) of the Bankruptcy Code shall be satisfied for purposes of Confirmation by acceptance of the Plan by an Impaired Class of Claims. The Debtors shall seek Confirmation pursuant to section 1129(b) of the Bankruptcy Code with respect to any rejecting Class of Claims or Interests.

G. Subordinated Claims.

Except as expressly provided herein, 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 Reorganized Debtors reserve the right to re-classify any Allowed Claim or Interest in accordance with any contractual, legal or equitable subordination relating thereto.

ARTICLE IV.
MEANS FOR IMPLEMENTATION OF THE PLAN

A. New Loans.

The material terms of each of the New Loans shall be as follows:

1. New ABL Facility.

The New ABL Facility shall (a) have an availability of up to $80 million, (b) have an interest rate of LIBOR plus 350 basis points (with a LIBOR floor of 150 basis points), (c) have a maturity of three years and (d) be secured by a first priority lien on all of the Restructured Debtors' assets.

2. New Senior Term Loan.

The New Senior Term Loan shall (a) be in the principal amount of $35 million (or $40 million to the extent the DIP Facility Tranche B is fully drawn as of the Effective Date), (b) have an interest rate of LIBOR plus 1050 basis points (with a LIBOR floor of 350 basis points), (c) have a maturity of five years and (d) be secured by substantially all of the Reorganized Debtors' assets junior in lien and payment to the New ABL Facility.

3. New First Lien Term Loan.

The New First Lien Term Loan shall (a) be in the principal amount of $200 million, (b) until such time that the Reorganized Debtors achieve a Fixed Charge Coverage Ratio (defined below) of 1.25x or higher, the interest accruing on the New First Lien Term Loan shall be payable in both Cash and payment in kind ("***PIK***"), with the cash component priced at LIBOR plus 250 basis points (with a LIBOR floor of 150 basis points) and the PIK component priced at 250 basis points (the "***PIK Interest***"); *provided, that* once the Fixed Charge Coverage Ratio of 1.25x or higher is achieved, the PIK Interest shall be payable in Cash, (c) have a maturity date of five years (d) have $500,000 in quarterly amortization payments; *provided, however*, that no amortization payments shall be made during the first 18 months after the Effective Date and (e) be secured by substantially all of the Reorganized Debtors' assets, junior in lien and payment to the New ABL Facility and the New Senior Term Loan.

For purposes of this Article IV.A.3, "***Fixed Charge Coverage Ratio***" shall mean for any twelve-month period (x) earnings before interest, taxes, depreciation and amortization, minus Cash capital expenditures, minus Cash taxes, divided by (y) Cash interest plus PIK Interest related to the New First Lien Term Loan plus scheduled Cash amortization of the New First Lien Term Loan.

4. New Junior Term Loan.

The New Junior Term Loan shall (a) be in the principal amount of $43 million, (b) have cash pay interest that is the greater of (i) LIBOR and (ii) 1%, with a 4% cap and payment-in-kind interest of 700 basis points, (c) a maturity of six years and (d) be secured by substantially all of the Reorganized Debtors' assets, junior in lien and payment to the New ABL Facility, the New Senior Term Loan and the New First Lien Term Loan.

B. Restructuring Transactions.

On the Effective Date, or as soon as reasonably practicable thereafter, the Reorganized Debtors may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate the Plan, including: (1) the execution and delivery of appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable law and any other terms to which the applicable Entities may agree; (2) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (3) the filing of appropriate certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution pursuant to applicable state law; and (4) all other actions that the applicable Entities determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law. Additionally, Reorganized AIH shall be authorized as of the Effective Date to file a Form 8832 Entity Classification Election with the Internal Revenue Service to be treated as a corporation for United States federal income tax purposes.

C. Sources of Consideration for Plan Distributions.

The Reorganized Debtors shall make distributions under the Plan as follows:

1. The New Loans.

On the Effective Date the Reorganized Debtors shall enter into the New Loans. Confirmation shall be deemed approval of the New Loans (including the transactions contemplated thereby, and all actions to be taken, undertakings to be made, and obligations to be incurred and fees paid by the Reorganized Debtors in connection therewith) and Reorganized Debtors are authorized to execute and deliver those documents necessary or appropriate to obtain the New Loans, including the New Loan Documents, without further notice to or order of the Bankruptcy Court, act or action under applicable law, regulation, order or rule or vote, consent, authorization or approval of any Person, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such New Loans.

2. Issuance and Distribution of New Common Stock.

The issuance of the New Common Stock by Reorganized AIH, including options, stock appreciation rights or other equity awards, if any, in connection with the Management Equity Incentive Program, is authorized without the need for any further corporate action and without any further action by the Holders of Claims or Interests. 300 million common shares shall be authorized under the New Certificate of Incorporation of Reorganized AIH, of which 190 million shall be Class A Common Stock and 10 million shall be Class B Common Stock.

On the Effective Date, an initial number of 200 million shares of New Common Stock shall be issued and distributed as follows: an aggregate 190 million shares of Class A Common Stock will be issued to Holders of Claims in Class 4 and an aggregate 10 million shares of Class B Common Stock will be issued to the Holders of Claims in Class 5, in each case, subject to dilution with respect to any shares issued pursuant to the Management Equity Incentive Program.

All of the shares of New Common Stock issued pursuant to the Plan shall be duly authorized, validly issued, fully paid and non-assessable. Each distribution and issuance of the New Common Stock under the Plan shall be governed by the terms and conditions set forth in the Plan applicable to such distribution or issuance and by the terms and conditions of the instruments evidencing or relating to such distribution or issuance, which terms and conditions shall bind each Entity receiving such distribution or issuance.

Upon the Effective Date, Reorganized AIH shall enter into the New Stockholders Agreement and the New Registration Rights Agreement with each Entity that is to be a counter-party thereto and the New Stockholders Agreement and the New Registration Rights Agreement shall each be deemed to be valid, binding and enforceable in accordance with its terms, and each holder of New Common Stock shall be bound thereby. The Holders of Claims in Class 4 and the Holders of Claims in Class 5 shall be required to execute the New Stockholders Agreement before receiving their respective distributions of the New Common Stock under the Plan.

D. Corporate Existence.

Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, each Debtor shall continue to exist after the Effective Date as a separate corporation, limited liability company, partnership or other form of entity, as the case may be, with all the powers of a corporation, limited liability company, partnership or other form of entity, as the case may be, pursuant to the applicable law in the jurisdiction in which each applicable Debtor is incorporated or formed and pursuant to the respective certificate of incorporation and by-laws (or other analogous formation or governing documents) in effect before the Effective Date, except to the extent such certificate of incorporation and bylaws (or other analogous formation or governing documents) are amended by the Plan or otherwise. To the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan and require no further action or approval (other than any requisite filings required under applicable state, provincial or federal law).

E. Vesting of Assets in the Reorganized Debtors.

Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated in the Plan or the Plan Supplement, on the Effective Date, all property in each Estate, all Causes of Action and any

property acquired by any of the Debtors pursuant to the Plan shall vest in each respective Reorganized Debtor, free and clear of all Liens, Claims, charges or other encumbrances, except for Liens securing the New Loans. On and after the Effective Date, except as otherwise provided in the Plan, each Reorganized Debtor may operate its business and may use, acquire or dispose of property and compromise or settle any Claims, Interests or Causes of Action without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules.

F. Cancellation of Existing Securities.

Except as otherwise provided in the Plan or any agreement, instrument or other document incorporated in the Plan or the Plan Supplement, on the Effective Date: (1) the obligations of the Debtors under the DIP Facility Credit Agreement, the First Lien Credit Agreement, the Second Lien Note Purchase Agreement, the AIH Note Purchase Agreement and any other certificate, share, note, bond, indenture, purchase right, option, warrant or other instrument or document, directly or indirectly, evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors giving rise to any Claim or Interest (except such certificates, notes or other instruments or documents evidencing indebtedness or obligations of the Debtors that are specifically Reinstated pursuant to the Plan) shall be cancelled solely as to the Debtors, and the Reorganized Debtors shall not have any continuing obligations thereunder; and (2) the obligations of the Debtors pursuant, relating or pertaining to any agreements, indentures, certificates of designation, bylaws or certificate or articles of incorporation or similar documents governing the shares, certificates, notes, bonds, purchase rights, options, warrants or other instruments or documents evidencing or creating any indebtedness or obligation of the Debtors (except such agreements, certificates, notes or other instruments evidencing indebtedness or obligations of the Debtors that are specifically Reinstated pursuant to the Plan) shall be released and discharged; *provided*, *however*, notwithstanding Confirmation or the occurrence of the Effective Date, any such indenture or agreement that governs the rights of the Holder of a Claim shall continue in effect solely for purposes of enabling Holders of Allowed Claims to receive distributions under the Plan as provided herein; *provided*, *further*, *however*, that the preceding proviso shall not affect the discharge of Claims or Interests pursuant to the Bankruptcy Code, the Confirmation Order or the Plan or result in any expense or liability to the Reorganized Debtors, except to the extent set forth in or provided for under this Plan. On and after the Effective Date, all duties and responsibilities of the ABL Agents under the ABL Credit Agreement, the First Lien Agent under the First Lien Credit Agreement, the Second Lien Note Agent under the Second Lien Note Purchase Agreement and the AIH Agent under the AIH Note Purchase Agreement, as applicable, shall be discharged unless otherwise specifically set forth in or provided for under the Plan.

G. Corporate Action.

Upon the Effective Date, or as soon thereafter as is reasonably practicable, all actions contemplated by the Plan shall be deemed authorized and approved in all respects, including: (1) execution and entry into the New Loans; (2) the distribution of the New Common Stock; (3) selection of the directors and officers for the Reorganized Debtors; (4) implementation of the restructuring transactions contemplated by this Plan, as applicable; (5) adoption of the Management Equity Incentive Program, if applicable; (6) adoption or assumption, as applicable, of the agreements with existing management, if any; and (7) all other actions contemplated by the Plan (whether to occur before, on or after the Effective Date). All matters provided for in the Plan involving the corporate structure of the Reorganized Debtors, and any corporate action required by the Debtors or the Reorganized Debtors in connection with the Plan shall be deemed to have occurred and shall be in effect, without any requirement of further action by the security holders, directors or officers of the Debtors or the Reorganized Debtors. On or (as applicable) before the Effective Date, the appropriate officers of the Debtors or the Reorganized Debtors shall be authorized and (as applicable) directed to issue, execute and deliver the agreements, documents, securities and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors, including the New Loan Documents and any and all other agreements, documents, securities and instruments relating to the foregoing. The authorizations and approvals contemplated by this Article IV shall be effective notwithstanding any requirements under non-bankruptcy law. The issuance of the New Common Stock shall be exempt from the requirements of section 16(b) of the Securities Exchange Act of 1934 (pursuant to Rule 16b-3 promulgated thereunder) with respect to any acquisition of such securities by an officer or director (or a director deputized for purposes thereof) as of the Effective Date.

H. New Certificates of Incorporation and New By-Laws.

On or immediately before the Effective Date, the Reorganized Debtors will file their respective New Certificates of Incorporation with the applicable Secretaries of State and/or other applicable authorities in their respective states, provinces or countries of incorporation in accordance with the corporate laws of the respective states, provinces or countries of incorporation. Pursuant to section 1123(a)(6) of the Bankruptcy Code, the New Certificates of Incorporation will prohibit the issuance of non-voting equity securities; *provided*, *however*, that Reorganized AIH's New Certificate of Incorporation shall authorize the issuance of 10 million shares of Class B Common Stock. After the Effective Date, the Reorganized Debtors may amend and restate their respective New Certificates of Incorporation and New By-Laws and other constituent documents as permitted by the laws of their respective states, provinces or countries of incorporation and their respective New Certificates of Incorporation and New By-Laws.

I. Directors and Officers of the Reorganized Debtors and Reorganized AIH.

As of the Effective Date, the term of the current members of the board of directors of AIH shall expire, and the initial boards of directors, including the New AIH Board and the New Subsidiary Boards, as well as the officers of each of the Reorganized Debtors shall be appointed in accordance with the New Certificates of Incorporation and New By-Laws of each Reorganized Debtor.

On the Effective Date, the New AIH Board shall consist of seven directors: (a) five directors appointed by certain of the First Lien Lenders, including two directors appointed by American Capital, Ltd., one director appointed by Ableco Finance LLC, one director appointed by Highland Capital Management LP and one director appointed by Canyon Capital Advisors LLC; (b) one independent director appointed by the First Lien Lenders other than American Capital, Ltd., Ableco Finance LLC, Highland Capital Management LP and Canyon Capital Advisors LLC; and (c) the current Chief Executive Officer of AIH.

Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in advance of the Confirmation Hearing the identity and affiliations of any Person proposed to serve on the initial New AIH Board and the New Subsidiary Boards, as well as those Persons that serve as an officer of any of the Reorganized Debtors. To the extent any such director or officer is an "insider" under the Bankruptcy Code, the nature of any compensation to be paid to such director or officer will also be disclosed. Each such director and officer shall serve from and after the Effective Date pursuant to the terms of the New Certificates of Incorporation, New By-Laws and other constituent documents of the Reorganized Debtors.

J. Effectuating Documents; Further Transactions.

On and after the Effective Date, the Reorganized Debtors and Reorganized AIH, and the officers and members of the New Boards thereof, are 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 and the Securities issued pursuant to the Plan, including the New Common Stock, in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorization or consents except those expressly required pursuant to the Plan.

K. Management Equity Incentive Program.

The Debtors and each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims shall engage in good faith negotiations to reach agreement on the Management Equity Incentive Program and include any form thereof and the amounts of any grants thereunder in the Plan Supplement; *provided*, *however*, that if the Debtors and each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims are unable to reach an agreement notwithstanding their good faith efforts to do so, no such program shall be included in the Plan Supplement and instead, within 90 days of the Effective Date the New AIH Board shall adopt and implement the Management Equity Incentive Program.

L. New Employment Agreements.

On the Effective Date, Reorganized AIH shall enter into the New Employment Agreements as consented to by each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims pursuant to Article I.A.122.

M. Exemption from Certain Taxes and Fees.

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct and be deemed to direct the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment. Such exemption specifically applies, without limitation, to (1) the creation of any mortgage, deed of trust, lien or other security interest; (2) the making or assignment of any lease or sublease; (3) any restructuring transaction authorized by the Plan; or (4) the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including: (a) any merger agreements; (b) agreements of consolidation, restructuring, disposition, liquidation or dissolution; (c) deeds; (d) bills of sale; or (e) assignments executed in connection with any Restructuring Transaction occurring under the Plan.

N. Existing Benefits Agreements.

The Existing Benefits Agreements for which each of the Consenting First Lien Lenders holding more than 10% of the First Lien Claims has consented to assumption by the Reorganized Debtors shall be included in the Plan Supplement and assumed by the Reorganized Debtors. Nothing in the Plan or the Plan Supplement shall limit, diminish or otherwise alter the Reorganized Debtors' defenses, claims, Causes of Action or other rights with respect to any such contracts, agreements, policies, programs and plans. Notwithstanding the foregoing, pursuant to section 1129(a)(13) of the Bankruptcy Code, on and after the Effective Date, all retiree benefits (as that term is defined in section 1114 of the Bankruptcy Code), if any, shall continue to be paid in accordance with applicable law.

O. D&O Liability Insurance Policies.

Notwithstanding anything herein to the contrary, as of the Effective Date, the Debtors shall assume (and assign to the Reorganized Debtors if necessary to continue the D&O Liability Insurance Policies in full force) all of the D&O Liability Insurance Policies pursuant to section 365(a) of the Bankruptcy Code. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the Debtors' assumption of the D&O Liability Insurance Policies. Notwithstanding anything to the contrary contained herein, Confirmation of the Plan shall not discharge, impair or otherwise modify any obligations assumed by the foregoing assumption of the D&O Liability Insurance Policies, and each such obligation shall be deemed and treated as an Executory Contract that has been assumed by the Debtors under the Plan as to which no Proof of Claim need be Filed. On or before the Effective Date, the Reorganized Debtors may obtain reasonably sufficient tail coverage (*i.e.*, D&O insurance coverage that extends beyond the end of the policy period) under a directors and officers' liability insurance policy for the current and former directors, officers and managers for such terms or periods of time, and placed with such insurers, to be reasonable under the circumstances or as otherwise specified and ordered by the Bankruptcy Court in the Confirmation Order.

P. Preservation of Causes of Action.

In accordance with section 1123(b) of the Bankruptcy Code, but subject to Article VIII hereof, the Reorganized Debtors shall retain and may enforce all rights to commence and pursue, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Supplement, and the Reorganized Debtors' rights to commence, prosecute or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement or the Disclosure Statement to any

Cause of Action against them as any indication that the Debtors or Reorganized Debtors, as applicable, will not pursue any and all available Causes of Action against them. The Debtors or Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise expressly provided in the Plan. Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (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 Reorganized Debtors reserve and shall retain the Causes of Action notwithstanding the rejection or repudiation of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. In accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that a Debtor may hold against any Entity shall vest in the Reorganized Debtors, as the case may be. The applicable Reorganized Debtor, through its authorized agents or representatives, shall retain and may exclusively enforce any and all such Causes of Action. The Reorganized Debtors shall have 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.

Q. The Fee Claims Escrow Account.

On the Effective Date, subject to any alternative agreement as between the Debtors and any Holder of a Fee Claim, the Debtors shall (1) establish and fund the Fee Claims Escrow Account in an amount equal to all Fee Claims outstanding as of the Effective Date (including unbilled and estimated amounts, if applicable) or (2) enter into an agreement with any relevant Holder of Fee Claims acceptable to such Holder. Amounts held in the Fee Claims Escrow Account shall not constitute property of the Reorganized Debtors. The Fee Claims Escrow Account may be an interest-bearing account. In the event there is a remaining balance in the Fee Claims Escrow Account following (1) payment to all Holders of Fee Claims under the Plan and (2) the closing of the Chapter 11 Cases pursuant to Article XII.K, such remaining amount, if any, shall be returned to the Reorganized Debtors.

ARTICLE V.
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assumption and Rejection of Executory Contracts and Unexpired Leases.

On the Effective Date, except as otherwise provided herein, or in any contract, instrument, release, indenture or other agreement or document entered into in connection with the Plan, Executory Contracts and Unexpired Leases shall be deemed rejected as of the Effective Date, unless such Executory Contract or Unexpired Lease: (1) was assumed or rejected previously by the Debtors; (2) previously expired or terminated pursuant to its own terms; (3) is the subject of a motion to assume Filed on or before the Effective Date; or (4) is identified as an Executory Contract or Unexpired Lease on the Assumed Executory Contracts and Unexpired Lease List.

Entry of the Confirmation Order shall constitute a Bankruptcy Court order approving the assumptions or rejections of such Executory Contracts or Unexpired Leases as set forth in the Plan, the Assumed Executory Contract and Unexpired Leases List or Rejected Executory Contract and Unexpired Leases List, pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Unless otherwise indicated, assumptions or rejections of Executory Contracts and Unexpired Leases pursuant to the Plan are effective as of the Effective Date. Each Executory Contract or Unexpired Lease assumed pursuant to the Plan or by Bankruptcy Court order but not assigned to a third party before the Effective Date shall re-vest in and be fully enforceable by the applicable contracting Reorganized Debtor in accordance with its terms, except as such terms may have been modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law. Any motions to assume Executory Contracts or Unexpired Leases pending on the Effective Date shall be subject to approval by the Bankruptcy Court on or after the Effective Date by a Final Order.

B. Claims Based on Rejection of Executory Contracts or Unexpired Leases.

Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, if any, must be filed with the Bankruptcy Court within 30 days after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed within such time will be automatically disallowed, forever barred from assertion and shall not be enforceable against the Debtors or the Reorganized Debtors, the Estates or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order or approval of the Bankruptcy Court. Claims arising from the rejection of the Debtors' Executory Contracts or Unexpired Leases shall be classified as General Unsecured Claims shall be treated in accordance with Article III of the Plan, as applicable.

Rejection Claims for which a Proof of Claim is not timely Filed will be forever barred from assertion against the Debtors or the Reorganized Debtors, their Estates and their property unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. Such Rejection Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article VIII hereof.

C. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed.

Any monetary defaults under each Executory Contract and Unexpired Lease as reflected on the Assumed Executory Contracts and Unexpired Lease List shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the default amount in Cash on the Effective Date, subject to the limitations described below, 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 any payments to cure such a default, (2) the ability of the Reorganized Debtors 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 payments required by section 365(b)(1) of the Bankruptcy Code shall be made following the entry of a Final Order or orders resolving the dispute and approving the assumption. At least 14 days before the Confirmation Hearing, the Debtors shall distribute, or cause to be distributed, Cure Notices of proposed assumption and proposed amounts of Cure Claims to the applicable third parties. Any objection by a counterparty to an Executory Contract or Unexpired Lease to a proposed assumption or related cure amount must be Filed, served and actually received by the Debtors at least three days before the Confirmation Hearing. 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 amount.

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, 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 date of the Debtors or Reorganized Debtors assume such Executory Contract or Unexpired Lease. Any Proofs of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed shall be deemed disallowed and expunged, without further notice to or action, order or approval of the Bankruptcy Court.

D. Insurance Policies.

All of the Debtors' insurance policies and any agreements, documents or instruments relating thereto, are treated as and deemed to be Executory Contracts under the Plan. On the Effective Date, the Debtors shall be deemed to have assumed all insurance policies and any agreements, documents and instruments related thereto.

E. Modifications, Amendments, Supplements, Restatements or Other Agreements.

Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and Executory Contracts and Unexpired Leases related thereto, if any, including 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 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.

F. Reservation of Rights.

Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Rejected Executory Contract and Unexpired Lease List, 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 any Reorganized Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or Reorganized Debtors, as applicable, shall have 28 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

G. Nonoccurrence of Effective Date.

In the event that the Effective Date does not occur, the Bankruptcy Court shall retain jurisdiction with respect to any request to extend the deadline for assuming or rejecting unexpired leases pursuant to section 365(d)(4) of the Bankruptcy Code.

H. Contracts and Leases Entered Into After the Petition Date.

Contracts and leases entered into after the Petition Date by any Debtor, including any Executory Contracts and Unexpired Leases assumed by such Debtor, will be performed by the Debtor or Reorganized Debtor liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed Executory Contracts and Unexpired Leases) will survive and remain unaffected by entry of the Confirmation Order.

ARTICLE VI.
PROVISIONS GOVERNING DISTRIBUTIONS

A. Timing and Calculation of Amounts to Be Distributed.

Unless otherwise provided in the Plan, on the Effective Date (or if a Claim is not an Allowed Claim on the Effective Date, on the date that such Claim becomes an Allowed Claim, or as soon as reasonably practicable thereafter), each Holder of an Allowed Claim shall receive the full amount of the distributions that the Plan provides for Allowed Claims in each applicable Class. 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, but shall be deemed to have been completed as of the required date. 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. Except as otherwise provided in the Plan, Holders of Claims shall not be entitled to interest, dividends or accruals on the distributions provided for in the Plan, regardless of whether such distributions are delivered on or at any time after the Effective Date. The Debtors shall have no obligation to recognize any transfer of Claims or Interests occurring on or after the Voting Deadline.

B. Disbursing Agent.

All distributions under the Plan shall be made by the Disbursing Agent on the Effective Date. To the extent the Disbursing Agent is one or more of the Reorganized Debtors, the Disbursing Agent 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.

C. Rights and Powers of Disbursing Agent.

1. Powers of the Disbursing Agent.

The Disbursing Agent shall be empowered to: (a) effect all actions and execute all agreements, instruments and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

2. Expenses Incurred On or After the Effective Date.

Except as otherwise ordered by the Bankruptcy Court, the amount of any reasonable fees and out-of-pocket expenses incurred by the Disbursing Agent on or after the Effective Date (including taxes) and any reasonable compensation and out-of-pocket expense reimbursement claims (including reasonable attorney fees and expenses) made by the Disbursing Agent shall be paid in Cash by the Reorganized Debtors.

D. Delivery of Distributions and Undeliverable or Unclaimed Distributions.

1. Delivery of Distributions.

(a) Delivery of Distributions to First Lien Agent.

Except as otherwise provided in the Plan, all distributions to Holders of First Lien Secured Claims shall be governed by the First Lien Credit Agreement and shall be deemed completed when made to the First Lien Agent, who shall be deemed to be the Holder of all First Lien Secured Claims for purposes of distributions to be made hereunder. The First Lien Agent shall hold or direct such distributions for the benefit of the Holders of Allowed First Lien Secured Claims, as applicable. As soon as practicable in accordance with the requirements set forth in this Article VI, the First Lien Agent shall arrange to deliver such distributions to or on behalf of such Holders of Allowed First Lien Secured Claims.

(b) Delivery of Distributions to Second Lien Note Agent.

Except as otherwise provided in the Plan, all distributions to Holders of Second Lien Note Claims shall be governed by the Second Lien Note Purchase Agreement and shall be deemed completed when made to the Second Lien Note Agent, who shall be deemed to be the Holder of Second Lien Note Claims for purposes of distributions to be made hereunder. The Second Lien Note Agent shall hold or direct such distributions for the benefit of the Holders of Allowed Second Lien Note Claims. As soon as practicable in accordance with the requirements set forth in this Article VI, the Second Lien Note Agent shall arrange to deliver such distributions to or on behalf of such Holders of Allowed Second Lien Note Claims.

(c) Delivery of Distributions in General.

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be made to Holders of record as of the Distribution Record Date by the Reorganized Debtors or the Disbursing Agent, as appropriate: (1) to the signatory set forth on any of the Proofs of Claim Filed by such Holder or other representative identified therein (or at the last known addresses of such Holder if no Proof of Claim is Filed or if the Debtors have been notified in writing of a change of address); (2) at the addresses set forth in any written notices of address changes delivered to the Reorganized Debtors or the applicable Disbursing Agent, as appropriate, after the date of any related Proof of Claim; (3) at the addresses reflected in the Schedules if no Proof of Claim has been Filed and the Reorganized Debtors or the applicable Disbursing Agent, as appropriate, has not received a written notice of a change of address; or (4) on any counsel that has appeared in the Chapter 11 Cases on the Holder's behalf. Subject to this Article VI, distributions under the Plan on account of Allowed Claims shall not be subject to levy, garnishment, attachment or like legal process, so that each Holder of an Allowed Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan. The Debtors, the Reorganized Debtors and the

Disbursing Agent, as applicable, shall not incur any liability whatsoever on account of any distributions under the Plan except for gross negligence or willful misconduct.

2. Minimum Distributions.

No fractional shares of New Common Stock shall be distributed and no Cash shall be distributed in lieu of such fractional amounts. When any distribution pursuant to the Plan on account of an Allowed Claim would otherwise result in the issuance of a number of shares of New Common Stock that is not a whole number, the actual distribution of shares of New Common Stock shall be rounded as follows: (a) fractions of one-half (½) or greater shall be rounded to the next higher whole number and (b) fractions of less than one-half (½) shall be rounded to the next lower whole number with no further payment therefore. The total number of authorized shares of New Common Stock to be distributed to holders of Allowed Claims shall be adjusted as necessary to account for the foregoing rounding.

3. 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 Disbursing Agent 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 one year from the Effective Date. After such date, all unclaimed property or interests in property shall revert to the Reorganized Debtors automatically and without need for a further order by the Bankruptcy Court (notwithstanding any applicable federal, provincial or state escheat, abandoned or unclaimed property laws to the contrary), and the Claim of any Holder to such property or Interest in property shall be discharged and forever barred.

E. Manner of Payment.

1. All distributions of New Common Stock under the Plan shall be made by the Disbursing Agent on behalf of Reorganized AIH.

2. All distributions with respect to each of the New ABL Loan, New Senior Term Loan, the New First Lien Term Loan and the New Junior Term Loan shall be deemed made as of the Effective Date.

3. All distributions of Cash under the Plan shall be made by the Disbursing Agent on behalf of the applicable Debtor.

4. At the option of the Disbursing Agent, any Cash payment to be made hereunder may be made by check or wire transfer or as otherwise required or provided in applicable agreements.

F. Section 1145 Exemption.

Pursuant to section 1145 of the Bankruptcy Code, the offering, issuance and distribution of the New Common Stock as contemplated by Article IV.C of the Plan shall be exempt from, among other things, the registration requirements of section 5 of the Securities Act and any other applicable law requiring registration prior to the offering, issuance, distribution or sale of Securities. In addition, under section 1145 of the Bankruptcy Code, such New Common Stock will be freely tradable in the U.S. by the recipients thereof, subject to the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with applicable securities laws and any rules and regulations of the Securities and Exchange Commission, if any, applicable at the time of any future transfer of such Securities or instruments and subject to any restrictions in the New Stockholders Agreement, the New Registration Rights Agreement and Reorganized AIH's New Certificate of Incorporation.

G. Compliance with Tax Requirements.

In connection with the Plan, to the extent applicable, the Reorganized Debtors shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Disbursing Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with applicable wage garnishments, alimony, child support and other spousal awards, liens and encumbrances.

H. Allocations.

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.

I. No Postpetition Interest on Claims.

Unless otherwise specifically provided for in the DIP Order, the Plan or the Confirmation Order, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any such Claim.

J. Setoffs and Recoupment.

The Debtors may, but shall not be required to, setoff against or recoup from any Claims of any nature whatsoever that the Debtors may have against the claimant, but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such Claim it may have against the Holder of such Claim.

K. Claims Paid or Payable by Third Parties.

1. Claims Paid by Third Parties.

The Debtors or the Reorganized Debtors, as applicable, shall reduce in full a Claim, and such Claim shall be disallowed without a Claim 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 Reorganized Debtor. Subject to the last sentence of this paragraph, 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 or a Reorganized Debtor on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution to the applicable Reorganized 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 Reorganized Debtor annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the two-week grace period specified above until the amount is repaid.

2. Claims Payable by Third Parties.

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 until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agrees to satisfy in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such

insurers' agreement, the applicable portion of such Claim may be expunged without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

3. Applicability of Insurance Policies.

Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

ARTICLE VII.
PROCEDURES FOR RESOLVING CONTINGENT, UNLIQUIDATED AND DISPUTED CLAIMS

A. Allowance of Claims.

After the Effective Date, each Reorganized Debtor shall have and retain any and all rights and defenses such Debtor had with respect to any Claim or Interest immediately before the Effective Date.

B. Claims Administration Responsibilities.

Except as otherwise specifically provided in the Plan, after the Effective Date, the Reorganized Debtors shall have the sole authority: (1) to File, withdraw or litigate to judgment objections to Claims or Interests; (2) to settle or compromise any Disputed Claim without any further notice to or action, order or approval by the Bankruptcy Court; and (3) to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order or approval by the Bankruptcy Court.

C. Estimation of Claims.

Before or after the Effective Date, the Debtors or Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate any Disputed Claim that is contingent or unliquidated pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Claim or Interest, including during the litigation of any objection to any Claim or Interest or during the appeal relating to such objection. Notwithstanding any provision otherwise in the Plan, a Claim that has been expunged from the Claims Register, but that either 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 or unliquidated Claim or Interest, that estimated amount shall constitute a maximum limitation on such Claim or Interest for all purposes under the Plan (including for purposes of distributions), and the relevant Reorganized Debtor may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim or Interest.

D. Adjustment to Claims Without Objection.

Any Claim or Interest that has been paid or satisfied, or any Claim or Interest that has been amended or superseded, cancelled or otherwise expunged (including pursuant to the Plan), may be adjusted or expunged (including on the Claims Register, to the extent applicable) by the Reorganized Debtors without a Claims objection having to be Filed and without any further notice to or action, order or approval of the Bankruptcy Court.

E. Time to File Objections to Claims.

Any objections to Claims shall be Filed on or before the later of (1) the date that is 90 days after the Effective Date and (2) such later date as may be fixed by the Bankruptcy Court.

F. Disallowance of Claims.

Any Claims held by Entities from which property is recoverable under section 542, 543, 550 or 553 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 547, 548, 549 or 724(a) of the Bankruptcy Code, shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and Holders of such Claims may not receive any distributions on account of such Claims until such time as such Causes of Action against that Entity have been settled or a Bankruptcy Court order with respect thereto has been entered and all sums due, if any, to the Debtors by that Entity have been turned over or paid to the Reorganized Debtors. All Claims Filed on account of an indemnification obligation to a director, officer or employee shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent such indemnification obligation is assumed (or honored or reaffirmed, as the case may be) pursuant to the Plan, without any further notice to or action, order or approval of the Bankruptcy Court. All Claims Filed on account of an employee benefit shall be deemed satisfied and expunged from the Claims Register as of the Effective Date to the extent the Reorganized Debtors elect to honor such employee benefit (or assume the agreement(s) providing such employee benefit are assumed under the Plan), without any further notice to or action, order or approval of the Bankruptcy Court.

EXCEPT AS PROVIDED HEREIN OR OTHERWISE AGREED, ANY AND ALL PROOFS OF CLAIM FILED AFTER THE CLAIMS BAR DATE SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS ON OR BEFORE THE CONFIRMATION HEARING SUCH LATE CLAIM HAS BEEN DEEMED TIMELY FILED BY A FINAL ORDER.

G. Amendments to Claims.

On or after the Effective Date, a Claim may not be Filed or amended without the prior authorization of the Bankruptcy Court or the Reorganized Debtors. Absent such authorization, any new or amended Claim Filed shall be deemed disallowed in full and expunged without any further action.

H. No Distributions Pending Allowance.

If an objection to a Claim or portion thereof is Filed as set forth in Article VII.B, no payment or distribution provided under the Plan shall be made on account of such Claim or portion thereof unless and until such Disputed Claim becomes an Allowed Claim.

I. Distributions After Allowance.

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, distributions (if any) shall be made to the Holder of such Allowed Claim in accordance with the provisions of the Plan. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Disbursing Agent shall provide to the Holder of such Claim the distribution (if any) to which such Holder is entitled under the Plan as of the Effective Date, without any interest to be paid on account of such Claim unless required under applicable bankruptcy law.

ARTICLE VIII.
SETTLEMENT, RELEASE, INJUNCTION AND RELATED PROVISIONS

A. Compromise and Settlement of Claims, Interests and Controversies.

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests and controversies relating to the contractual, legal and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim or Interest or any distribution to be made on account of such Allowed Claim or Interest. The entry of the Confirmation Order shall constitute the

Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests and controversies, as well as a finding by the Bankruptcy Court that such compromise or settlement is in the best interests of the Debtors, their Estates and Holders, and is fair, equitable and reasonable. In accordance with the provisions of the Plan, pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019(a), without any further notice to or action, order or approval of the Bankruptcy Court, after the Effective Date, the Reorganized Debtors may compromise and settle Claims against them and Causes of Action against other Entities.

B. Discharge of Claims and Termination of Interests.

Pursuant to section 1141(d) of the Bankruptcy Code, 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 satisfaction, discharge and release, effective as of the Effective Date, of Claims (including any Intercompany Claims resolved or compromised after the Effective Date by the Reorganized Debtors), 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 (including withdrawal 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 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 discharge of all Claims and Interests subject to the Effective Date occurring.

C. 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 (including the New Loan Documents), 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 and discharged, and all of the right, title and interest of any Holder of such mortgages, deeds of trust, Liens, pledges or other security interests shall revert to the Reorganized Debtor and its successors and assigns. In addition, the First Lien Agent and the Second Lien Note Agent shall execute and deliver all documents reasonably requested by the administrative agent for the New ABL Facility to evidence the release of such mortgages, deeds of trust, Liens, pledges and other security interests and shall authorize the Reorganized Debtors to file UCC-3 termination statements (to the extent applicable) with respect thereto.

D. Releases by the Debtors.

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan, for good and valuable consideration, including the service of the Released Parties to facilitate the expeditious reorganization of the Debtors and the implementation of the restructuring contemplated by the Plan, on and after the Effective Date of the Plan, the Released Parties are hereby expressly, unconditionally, generally and individually and collectively released, acquitted and discharged by the Debtors, the Reorganized Debtors and the Estates from any and all actions, Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereinafter arising, in law, equity, contract, tort or otherwise, by statute or otherwise, that the Debtors, the Reorganized Debtors, the Estates or their Affiliates (whether individually or collectively) or on behalf of the Holder of any Claim or Interest or other Entity, ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the

Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Plan Support Agreement or related agreements, instruments or other documents or any other act or omission, transaction, agreement, event or other occurrence relating to the Debtors taking place on or before the Confirmation Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party unknown to the Debtors as of the Petition Date that constitutes willful misconduct or gross negligence, in each case as determined by Final Order of a court of competent jurisdiction.

E. Releases by Holders.

As of the Effective Date of the Plan, to the extent permitted by applicable law, each Holder of a Claim or an Interest shall be deemed to have expressly, unconditionally, generally and individually and collectively, released, acquitted and discharged the Debtors, the Reorganized Debtors and the Released Parties from any and all actions, Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that such Entity (whether individually or collectively) ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Plan Support Agreement or related agreements, instruments or other documents or any other act or omission, transaction, agreement, event or other occurrence relating to the Debtors taking place on or before the Confirmation Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party unknown to the Debtors as of the Petition Date that constitutes willful misconduct or gross negligence in each case as determined by Final Order of a court of competent jurisdiction.

F. Liabilities to, and Rights of, Governmental Units.

Nothing in the Plan or Confirmation Order shall discharge, release, or preclude: (1) any liability to a Governmental Unit that is not a Claim; (2) any Claim of a Governmental Unit arising on or after the Confirmation Date; (3) any liability to a Governmental Unit on the part of any Person or Entity other than the Debtors or Reorganized Debtors; (4) any valid right of setoff or recoupment by a Governmental Unit; or (5) any criminal liability. Nothing in the Plan or Confirmation Order shall enjoin or otherwise bar any Governmental Unit from asserting or enforcing, outside the Bankruptcy Court, any liability described in the preceding sentence. The discharge and injunction provisions contained in the Plan and Confirmation Order are not intended and shall not be construed to bar any Governmental Unit from, after the Confirmation Date, pursuing any police or regulatory action.

G. Exculpation.

Except as otherwise specifically provided in the Plan or Plan Supplement, no Exculpated Party shall have or incur, and each Exculpated Party is hereby released and exculpated from any Exculpated Claim, obligation, Cause of Action or liability for any Exculpated Claim, except for gross negligence or willful misconduct, but in all respects such Entities shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities pursuant to the Plan. The Debtors and the Reorganized Debtors (and each of their respective Affiliates, agents, directors, officers, employees, advisors and attorneys) have participated in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the Securities pursuant to the Plan and, therefore, are not, and on account of such distributions shall not be, liable at any time for the violation of any applicable law, rule or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

H. Injunction.

FROM AND AFTER THE EFFECTIVE DATE, ALL ENTITIES ARE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER, ANY CAUSE OF ACTION RELEASED OR TO BE RELEASED PURSUANT TO THE PLAN OR THE CONFIRMATION ORDER.

FROM AND AFTER THE EFFECTIVE DATE, TO THE EXTENT OF THE RELEASES AND EXCULPATION GRANTED IN ARTICLE VIII HEREOF, THE RELEASING PARTIES SHALL BE PERMANENTLY ENJOINED FROM COMMENCING OR CONTINUING IN ANY MANNER AGAINST THE RELEASED PARTIES AND THE EXCULPATED PARTIES AND THEIR ASSETS AND PROPERTIES, AS THE CASE MAY BE, ANY SUIT, ACTION OR OTHER PROCEEDING, ON ACCOUNT OF OR RESPECTING ANY CLAIM, DEMAND, LIABILITY, OBLIGATION, DEBT, RIGHT, CAUSE OF ACTION, INTEREST OR REMEDY RELEASED OR TO BE RELEASED PURSUANT TO ARTICLE VIII HEREOF.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE PLAN, THE PLAN SUPPLEMENT OR RELATED DOCUMENTS, OR IN OBLIGATIONS ISSUED PURSUANT TO THE PLAN, ALL ENTITIES WHO HAVE HELD, HOLD OR MAY HOLD CLAIMS OR INTERESTS THAT HAVE BEEN RELEASED PURSUANT TO ARTICLE VIII.D OR ARTICLE VIII.E, DISCHARGED PURSUANT TO ARTICLE VIII.B, OR ARE SUBJECT TO EXCULPATION PURSUANT TO ARTICLE VIII.G ARE PERMANENTLY ENJOINED, FROM AND AFTER THE EFFECTIVE DATE, FROM TAKING ANY OF THE FOLLOWING ACTIONS: (1) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (2) ENFORCING, ATTACHING, COLLECTING OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE OR ORDER AGAINST SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; (3) CREATING, PERFECTING OR ENFORCING ANY ENCUMBRANCE OF ANY KIND AGAINST SUCH ENTITIES OR THE PROPERTY OR ESTATE OF SUCH ENTITIES ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS; AND (4) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH CLAIMS OR INTERESTS RELEASED OR SETTLED PURSUANT TO THE PLAN.

THE RIGHTS AFFORDED IN THE PLAN AND THE TREATMENT OF ALL CLAIMS AND INTERESTS HEREIN SHALL BE IN EXCHANGE FOR AND IN COMPLETE SATISFACTION OF CLAIMS AND INTERESTS OF ANY NATURE WHATSOEVER, INCLUDING ANY INTEREST ACCRUED ON CLAIMS FROM AND AFTER THE PETITION DATE, AGAINST THE DEBTORS OR ANY OF THEIR ASSETS, PROPERTY OR ESTATES. ON THE EFFECTIVE DATE, ALL SUCH CLAIMS AGAINST THE DEBTORS SHALL BE FULLY RELEASED AND DISCHARGED, AND THE INTERESTS SHALL BE CANCELLED.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED FOR HEREIN OR IN OBLIGATIONS ISSUED PURSUANT HERETO FROM AND AFTER THE EFFECTIVE DATE, ALL CLAIMS SHALL BE FULLY RELEASED AND DISCHARGED, AND THE INTERESTS SHALL BE CANCELLED, AND THE DEBTORS' LIABILITY WITH RESPECT THERETO SHALL BE EXTINGUISHED COMPLETELY, INCLUDING ANY LIABILITY OF THE KIND SPECIFIED UNDER SECTION 502(G) OF THE BANKRUPTCY CODE.

ALL ENTITIES SHALL BE PRECLUDED FROM ASSERTING AGAINST THE DEBTORS, THE DEBTORS' ESTATES, THE REORGANIZED DEBTORS, EACH OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS AND EACH OF THEIR ASSETS AND PROPERTIES, ANY OTHER CLAIMS OR INTERESTS BASED UPON ANY DOCUMENTS, INSTRUMENTS OR ANY ACT OR OMISSION, TRANSACTION OR OTHER ACTIVITY OF ANY KIND OR NATURE THAT OCCURRED BEFORE THE EFFECTIVE DATE.

I. Subordination Rights Under the Intercreditor Agreement.

Subject in all respects to the provisions of this Plan, any distributions under the Plan to Holders of Second Lien Note Claims shall be received and retained free from any obligations to hold or transfer the same to any other

creditor, and shall not be subject to levy, garnishment, attachment or other legal process by any Holder by reason of claimed contractual subordination rights. The subordination rights set forth in the Intercreditor Agreement shall be (and deemed to be) waived and the Confirmation Order shall constitute an injunction enjoining any Person from enforcing or attempting to enforce any contractual, legal or equitable subordination rights to property or other interests distributed under the Plan to Holders of Second Lien Note Claims other than as provided in the Plan.

J. 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 Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

ARTICLE IX.
CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions Precedent to Confirmation.

It shall be a condition to Confirmation that all provisions, terms and conditions hereof are approved in the Confirmation Order, which shall be reasonably acceptable to: (a) the Debtors; (b) each Consenting First Lien Lender holding more than 10% of the First Lien Claims; (c) the DIP Tranche A Administrative Agent; and (d) the lead arranger for the New ABL Facility.

B. Conditions Precedent to the Effective Date.

It shall be a condition to the Effective Date of the Plan that the following conditions shall have been satisfied or waived pursuant to the provisions of Article IX.C hereof:

1. The Confirmation Order (a) shall have been duly entered and be a Final Order and (b) shall include a finding by the Bankruptcy Court that the New Common Stock to be issued on the Effective Date will be authorized and exempt from registration under applicable securities law pursuant to section 1145 of the Bankruptcy Code.

2. Any amendments, modifications or supplements to the Plan (including the Plan Supplement), if any, shall be reasonably acceptable to: (a) the Debtors; and (b) each Consenting First Lien Lender holding more than 10% of the First Lien Claims.

3. All actions, documents, certificates and agreements necessary to implement this Plan shall have been effected or executed and delivered to the required parties and, to the extent required, Filed with the applicable Governmental Units in accordance with applicable laws.

4. The amount of (a) Allowed Administrative Claims, excluding Fee Claims, shall not exceed and aggregate of $40 million, (b) Allowed Non-Tax Priority Claims shall not exceed an aggregate of $5 million, and (c) Allowed Other Secured Claims shall not exceed an aggregate of $7.5 million.

5. The Debtors shall enter into the New Loan Documents and the conditions precedent to funding under the New Loan Documents (including the payment in full, in Cash of the DIP Facility Tranche A Claims) shall have been satisfied or waived.

6. The Debtors shall have satisfied the DIP Facility Tranche A Claims and DIP Facility Tranche B Claims.

7. Reorganized AIH shall have entered into the New Stockholders Agreement and the New Registration Rights Agreement, each in form and substance reasonably satisfactory to: (a) Reorganized AIH; and (b) each Consenting First Lien Lender holding more than 10% of the First Lien Claims.

C. Waiver of Conditions.

The conditions to Confirmation and to Consummation set forth in Article IX may be waived only by the Person whom is entitled to satisfaction of such condition, without notice, leave or order of the Bankruptcy Court or any formal action other than proceeding to confirm or consummate the Plan.

D. Effect of Failure of Conditions.

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

ARTICLE X.
MODIFICATION, REVOCATION OR WITHDRAWAL OF THE PLAN

A. Modification and Amendments.

Except as otherwise specifically provided in the Plan, the Debtors reserve the right to modify the Plan, whether such modification is material or immaterial, and seek Confirmation consistent with the Bankruptcy Code. Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 (as well as those restrictions on modifications set forth in the Plan), each of the Debtors expressly reserves its respective rights to revoke or withdraw, to alter, amend or modify the Plan with respect to such Debtor, 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, the Disclosure Statement or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan; *provided, however*, that no such alterations, amendments or modifications shall be made without the consent of each Consenting First Lien Lender holding more than 10% of the First Lien Claims, which consent shall not be unreasonably withheld. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article X.

B. Effect of Confirmation on Modifications.

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

C. Revocation or Withdrawal of Plan.

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

ARTICLE XI.
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 exclusive jurisdiction over all matters arising out of, or related to, the Chapter 11 Cases and the Plan pursuant to sections 105(a) and 1142 of the Bankruptcy Code, including jurisdiction to:

1. 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;

2. 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 (including Fee Claims) authorized pursuant to the Bankruptcy Code or the Plan;

3. resolve any matters related to: (a) the assumption, 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 and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including Cure Claims pursuant to section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Reorganized Debtors amending, modifying or supplementing, after the Effective Date, pursuant to Article V, the Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (d) any dispute regarding whether a contract or lease is or was executory, expired or terminated;

4. ensure that distributions to Holders of Allowed Claims and Interests are accomplished pursuant to the provisions of the Plan;

5. 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;

6. adjudicate, decide or resolve any and all matters related to section 1141 of the Bankruptcy Code;

7. 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, the Plan Supplement or the Disclosure Statement;

8. enter and enforce any order for the sale of property pursuant to sections 363, 1123 or 1146(a) of the Bankruptcy Code;

9. resolve any cases, controversies, suits, disputes or Causes of Action that may arise in connection with Consummation, including interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;

10. 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;

11. resolve any cases, controversies, suits, disputes or Causes of Action with respect to the releases, injunctions and other provisions contained in Article VIII, and enter such orders as may be necessary or appropriate to implement such releases, injunctions and other provisions;

12. 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 for amounts not timely repaid pursuant to Article VI.K.1;

13. enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;

14. determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement or the Confirmation Order;

15. enter an order or Final Decree concluding or closing any of the Chapter 11 Cases;

16. adjudicate any and all disputes arising from or relating to distributions under the Plan;

17. 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;

18. determine requests for the payment of Claims entitled to priority pursuant to section 507 of the Bankruptcy Code;

19. 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;

20. hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

21. hear and determine all disputes involving the existence, nature, scope or enforcement of any exculpations, discharges, injunctions and releases granted in connection with and under the Plan, including under Article VIII;

22. enforce all orders previously entered by the Bankruptcy Court; and

23. hear any other matter not inconsistent with the Bankruptcy Code.

ARTICLE XII.
MISCELLANEOUS PROVISIONS

A. Immediate Binding Effect.

Subject to Article IX.B and notwithstanding Bankruptcy Rules 3020(e), 6004(h) or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan and the Plan Supplement shall be immediately effective and enforceable and deemed binding upon the Debtors, the Reorganized Debtors and any and all Holders of Claims or Interests (irrespective of whether their Claims or Interests are deemed to have accepted the Plan), all Entities that are parties to or are subject to the settlements, compromises, releases, discharges and injunctions described in the Plan, each Entity acquiring property under the Plan and any and all non-Debtor parties to Executory Contracts and Unexpired Leases with the Debtors.

B. 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 or Reorganized Debtors, as applicable, and all Holders receiving distributions pursuant to the Plan and all other parties in interest may, from time to time, 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.

C. Statutory Committee and Cessation of Fee and Expense Payment.

On the Effective Date, any statutory committee appointed in the Chapter 11 Cases, including the Creditors' Committee, shall dissolve and members thereof shall be released and discharged from all rights and duties from or related to the Chapter 11 Cases. The Reorganized Debtors shall no longer be responsible for paying any fees or expenses incurred by any statutory committees after the Effective Date.

D. Reservation of Rights.

Except as expressly set forth in the Plan, the Plan shall have no force or effect unless the Bankruptcy Court enters the Confirmation Order, and the Confirmation Order shall have no force or effect if the Effective Date does not occur. None of the Filing of the Plan, any statement or provision contained in the Plan or the taking of any action by any Debtor with respect to the Plan, the Disclosure Statement or the Plan Supplement shall be or shall be deemed to be an admission or waiver of any rights of any Debtor with respect to the Holders before the Effective Date.

E. Successors and Assigns.

The rights, benefits and obligations of any Entity named or referred to in the Plan 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.

F. Notices.

To be effective, all notices, requests and demands to or upon the Debtors, the First Lien Lenders or the Second Lien Note Purchasers shall be in writing (including by facsimile transmission). Unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed to the following:

If to the Debtors:
Appleseed's Intermediate Holdings LLC
138 Conant Street
Beverly, Massachusetts 01915
Facsimile: (978) 998-3934
Attention: T. Neale Attenborough
E-mail address: neale@orchardbrands.com

With copies to:
Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Facsimile: (212) 446-4900
Attention: Joshua A. Sussberg, Esq.
E-mail address: joshua.sussberg@kirkland.com

- and -

Klehr Harrison Harvey Branzburg LLP
919 Market Street, Suite 1000
Wilmington, Delaware 19801-3062
Facsimile: (302) 426-9193
Attention: Domenic E. Pacitti, Esq.
E-mail Address: dpacitti@klehr.com

If to the First Lien Lenders:
Sidley Austin LLP

787 Seventh Avenue
New York, New York 10019
Facsimile: (212) 839-5599
Attention: James P. Seery, Jr., Esq.
E-mail address: jseery@sidley.com

If to the Second Lien Note Purchasers:
Kramer Levin Naftalis and Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Facsimile: (212) 715-8000
Attention: Douglas Mannal, Esq..
E-mail address: dmannal@kramerlevin.com

After the Effective Date, the Debtors may, in their sole discretion, notify Entities that, in order to continue to receive documents pursuant to Bankruptcy Rule 2002, such Entity must File a renewed request to receive documents pursuant to Bankruptcy Rule 2002. After the Effective Date, the Debtors are authorized to limit the list of Entities receiving documents pursuant to Bankruptcy Rule 2002 to those Entities who have Filed such renewed requests.

G. Entire Agreement.

Except as otherwise indicated, the Plan 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.

H. Exhibits.

All exhibits and documents included in the Plan Supplement are incorporated into and are a part of the Plan as if set forth in full in the Plan. After the exhibits and documents are Filed, copies of such exhibits and documents shall be available upon written request to the Debtors' counsel at the address above or by downloading such exhibits and documents from the website of the Debtors' notice, claims and balloting agent at http://www.kccllc.net/appleseeds or the Bankruptcy Court's website at www.deb.uscourts.gov. To the extent any exhibit or document is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit or non-document portion of the Plan shall control.

I. Severability of Plan Provisions.

If, before 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 Debtors' consent; and (3) non-severable and mutually dependent.

J. Votes Solicited in Good Faith.

Upon entry of the Confirmation Order, the Debtors will be deemed to have solicited votes on the Plan in good faith and in compliance with the Bankruptcy Code, and pursuant to section 1125(e) of the Bankruptcy Code, the Debtors and each of their respective Affiliates, agents, representatives, members, principals, shareholders, officers, directors, employees, advisors and attorneys will be deemed to have participated in good faith and in compliance with the Bankruptcy Code in the offer, issuance, sale and purchase of Securities offered and sold under

the Plan and any previous plan and, therefore, no such parties, individuals or the Reorganized Debtors will have any liability for the violation of any applicable law, rule or regulation governing the solicitation of votes on the Plan or the offer, issuance, sale or purchase of the Securities offered and sold under the Plan or any previous plan.

K. Closing of Chapter 11 Cases.

The Reorganized Debtors shall, promptly after the full administration of the Chapter 11 Cases, File with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order necessary to close the Chapter 11 Cases.

L. Conflicts.

Except as set forth in the Plan, to the extent that any provision of the Disclosure Statement, the Plan Supplement or any other order (other than the Confirmation Order) referenced in the Plan (or any exhibits, schedules, appendices, supplements or amendments to any of the foregoing), conflict with or are in any way inconsistent with any provision of the Plan, the Confirmation Order shall govern and control.

M. Filing of Additional Documents.

On or before the Effective Date, the Debtors may File with the Bankruptcy Court all agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

[Remainder of page intentionally left blank.]

Dated: January 19, 2011
Wilmington, DE

APPLESEED'S INTERMEDIATE HOLDINGS LLC, on behalf of itself and each of the other Debtors

By: */s/ T. Neale Attenborough*
Name: T. Neale Attenborough
Title: Chief Executive Officer

COUNSEL:

/s/ Domenic E. Pacitti

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- and -

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601 Lexington Avenue
New York, New York 10022-4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Proposed Counsel to the Debtors and Debtors in Possession

Exhibit C

Milestones

Plan Milestones[2]

1. File Plan of Reorganization and Disclosure Statement on Petition Date.

2. Objections to Disclosure Statement due 28 days thereafter (or a later date agreed to by the Debtors and any third party, in consultation with each Consenting First Lien Lender holding 10% or more of the First Lien Claims).

3. Disclosure Statement Hearing 7 days thereafter (subject to Bankruptcy Court's availability).

4. Solicitation Period to begin within 5 days after order approving the Disclosure Statement.

5. Voting Deadline/Plan Objection Deadline – 35 days after Solicitation Period begins.

6. Confirmation Hearing – 14 days after the Voting Deadline (subject to Bankruptcy Court's availability).

7. Confirmation Order entered within 90 days of the Petition Date.

8. Effective date of the Plan of Reorganization within 15 days after the entry of the Confirmation Order.

Sale Milestones[3]

1. File "naked" bid procedures/sale motion no later than 5 days after the Petition Date.

2. Objections to bid procedures due 28 days thereafter (or a later date agreed to by the Debtors and any third party, in consultation with each Consenting First Lien Lender holding 10% or more of the First Lien Claims).

3. Bid procedures hearing shall be 7 days after the Disclosure Statement hearing (or the first available hearing date thereafter). In advance of the bid procedures hearing, the Debtors will file a supplement to the bid procedures/sale motion attaching a form purchase agreement.

4. Bid procedures order entered within 5 days after hearing (or a later date agreed to by the Debtors and any third party, in consultation with each Consenting First Lien Lender holding 10% or more of the First Lien Claims), which order shall be in form and substance

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[2] Plan milestones 3 through 7 shall each be subject to a 5-day grace period.

[3] Sale milestones 3 through 7 shall each be subject to a 5-day grace period.

satisfactory to each Consenting First Lien Lender holding 10% or more of the First Lien Claims.

5. If the Disclosure Statement order is not entered, proceed with 30-day marketing process following entry of bid procedures order (such marketing process to include providing such information requested in consultation with each Consenting First Lien Lender holding 10% or more of the First Lien Claims), followed by an auction.

6. If Confirmation Order is not entered, proceed with 30-day marketing process followed by auction.

7. Sale hearing to be held within 5 days after auction.

Exhibit B

Summary of First Day Pleadings

THE DEBTORS' FIRST DAY PLEADINGS

As explained in my declaration, the Debtors have requested a variety of relief in various "first day" motions and applications (each, a "***First Day Pleading***" and, collectively, the "***First Day Pleadings***") to minimize the adverse effects of the commencement of these chapter 11 cases on their businesses and to ensure that their restructuring goals can be implemented with limited disruption to operations.[1] I am familiar with the contents of each of the First Day Pleadings, and I believe that the relief sought therein is necessary to permit an effective transition into chapter 11. In fact, I believe that the Debtors' estates would suffer immediate and irreparable harm absent the ability to obtain postpetition financing, make certain essential payments and otherwise continue their business operations as sought in the First Day Pleadings.

In my opinion, approval of the relief requested in the First Day Pleadings, each of which is explained herein, will minimize disruption to the Debtors' business operations, thereby preserving and maximizing the value of the Debtors' estates and assisting the Debtors in achieving a successful reorganization.

PROCEDURAL MOTION

A. Debtors' Motion for Entry of an Order Directing Joint Administration of Related Chapter 11 Cases

1. Appleseed's Intermediate Holdings LLC ("***AIH***") is the direct or indirect parent of each of the other 27 Debtors. Additionally, except with respect to the $50 million in principal amount of unsecured notes issued by AIH, each of the 28 affiliated Debtor entities is directly liable for, or a guarantor of, the approximately $651.8 million in outstanding secured funded debt

[1] Capitalized terms used in this **Exhibit B** but not otherwise defined shall have the meanings ascribed to such terms in the applicable First Day Pleadings.

obligations that the Debtors seek to restructure as part of these chapter 11 cases. Thus, each of the motions filed in the chapter 11 cases will implicate many, if not all, of the Debtors

2. The Debtors also share significant debt obligations that will be addressed in these chapter 11 cases. I believe joint administration of the chapter 11 cases will provide significant administrative convenience and that entry of an order directing joint administration of the chapter 11 cases will reduce fees and costs by avoiding duplicative filings and objections. Joint administration will also allow all parties to monitor the chapter 11 cases with greater ease and efficiency.

3. I do not believe that joint administration will give rise to any conflict of interest among the Debtors' estates, nor will joint administration adversely affect the Debtors' respective constituencies because this motion requests only administrative, not substantive, consolidation of the Debtors' cases. I do not believe that parties in interest will be harmed by the relief requested but, instead, will benefit from the cost reductions associated with the joint administration of the chapter 11 cases.

FINANCING MOTIONS

A. Debtors' Motion for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363(c), 363(e), 364 and 507 and Fed. R. Bankr. P. 2002, 4001 and 9014 (I) Authorizing Debtors to Obtain Postpetition Financing Pursuant to Section 364 of the Bankruptcy Code, (II) Authorizing Use of Cash Collateral Pursuant to Section 363 of the Bankruptcy Code, (III) Granting Liens and Super-Priority Claims, (IV) Granting Adequate Protection to the Prepetition Secured Parties and (V) Scheduling a Final Hearing Pursuant to Fed. R. Bankr. P. 4001(b) and (c)

4. I believe the Debtors require access to liquidity to prevent immediate and irreparable harm to their estates. In that regard, the Debtors have secured a $140 million debtor in possession credit facility (the "***DIP Financing***"), which will ensure that they are able to: (a) continue ongoing business operations; (b) preserve the value of estate assets; (c) maintain favorable relationships with vendors, suppliers and customers; (d) pay employees; and (e) satisfy

other working capital and general corporate needs, all of which are necessary to maintain the value of the Debtors' business and, ultimately, effectuate a successful business reorganization. Thus, to ensure the Debtors' access to sufficient liquidity that will provide the foundation for maximizing value for all stakeholders, I firmly believe that the DIP Financing should be approved.

5. Specifically, the Debtors are seeking authorization to:

- permit the Borrowers, pursuant to the Interim Order and before entry of the Final Order, to borrow up to $135 million under the DIP Facility, comprised of (i) a senior secured first-out revolving credit tranche in the principal amount of $100 million, which includes (A) a letter of credit subfacility in the amount of up to $30 million to be provided by the Issuing Bank and (B) a swing line subfacility of up to $20 million, to be provided by the Swingline Lender; and (ii) a senior secured term loan tranche in the principal amount of $35 million;

- grant to the DIP Agents, for the benefit of themselves and the respective DIP Lenders, valid, binding, continuing, enforceable, fully perfected and unavoidable first-priority senior priming security interests in and liens upon (collectively, the "***DIP Facility Liens***") all prepetition and postpetition assets of the Debtors and Guarantors (collectively, the "***DIP Collateral***"), as provided for by section 364(c) and (d) of the Bankruptcy Code and subject to certain exceptions as specified in the DIP Credit Agreement;

- grant super-priority administrative claims (the "***DIP Facility Superpriority Claim***") to the DIP Lenders pursuant to section 364(c) of the Bankruptcy Code, subject to the Carve-Out and the adequate protection claims the payment of which is secured by the Prepetition ABL Lenders' Replacement Liens;

- use "cash collateral" (as such term is defined in section 363 of the Bankruptcy Code) (the "***Cash Collateral***") of the ABL Lenders, First Lien Lenders and the purchasers under the Debtors' prepetition second lien note purchase agreement (the "***Second Lien Purchasers***" and, together

with the ABL Lenders and First Lien Lenders, the "***Secured Lenders***");

- grant adequate protection to the Secured Lenders (the "***Adequate Protection Obligations***");

- vacate the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the DIP Credit Agreement and the Interim Order and the Final Order;

- waive any applicable stay, including under Bankruptcy Rule 6004, to provide for immediate effectiveness of the Interim Order; and

- pursuant to Bankruptcy Rule 4001, set a date for a hearing to consider entry of the Final Order, authorizing and approving the transactions described herein on a final basis.

i. The Debtors' Liquidity Needs

6. Decreased earnings and revenues have negatively impacted the Debtors' liquidity position, which in turn has translated into a sharp decline in the Debtors' performance and placed significant stress on business operations, including the Debtors' relationships with specialized third-party vendors and suppliers that are crucial to the Debtors' operations. I am informed that trade vendors and suppliers have begun to impose tightened credit terms on the Debtors, thereby limiting the Debtors' access to key goods and services.

7. I believe that the commencement of these chapter 11 cases magnifies the Debtors' need for liquidity. Absent an ability to demonstrate that the Debtors have the means available to operate in the ordinary course and procure goods and services that are vital to ongoing business operations, I believe that vendors and suppliers may seek alternative sources of distribution and otherwise interrupt the Debtors' supply chain. Indeed, with minimal liquidity on hand over the course of the last several months, which has resulted in increased trade liabilities and general concern in the vendor community about the Debtors' ability to operate, access to financing is

critical to demonstrate an ability to satisfy these postpetition obligations as and when they come due. I firmly believe that immediate access to the DIP Facility and use of cash collateral will enable the Debtors to allay these concerns.

8. Absent access to the funds available under the DIP Facility, the Debtors may have to curtail or even terminate their business operations to the material detriment of creditors, employees and other parties in interest, jeopardizing the success of the Debtors' restructuring and threatening their ability to operate as a going concern. Thus, I believe that the Debtors have an immediate need to ensure that working capital is available on an interim basis and throughout the pendency of these chapter 11 cases.

ii. Development of the DIP Budget

9. I am informed that, to best assess the Debtors' funding needs during these chapter 11 cases, the Debtors have, with the assistance of their advisors, analyzed their cash needs to determine what is necessary to maintain their operations in chapter 11 and work toward a successful reorganization. In undertaking this analysis, the Debtors and their advisors have considered the Debtors' near-term projected financial performance, including demand for the Debtors' products and the cost to manufacture such products. The Debtors' management also conferred with key operational divisions to understand essential business metrics in both the near and long-term.

10. As part of the Debtors' financial review and analysis, the Debtors developed a 13-week cash flow forecast that takes into account anticipated cash receipts and disbursements during the projected period. This forecast considers a number of factors, including the impact of the chapter 11 filing, material cash disbursements, required vendor payments, cash flows from the Debtors' ongoing operations and the cost of necessary goods and materials and includes all

of the expenditures for which the Borrowers seek authority to pay in various First-Day Pleadings.

11. Utilizing this cash flow forecast to project their cash needs during these chapter 11 cases, the Debtors believe that $67 million in liquidity availability is necessary for operations during the early stage of these chapter 11 cases. The proposed DIP Financing will provide the Debtors with immediate access of up to $100 million as part of a revolving credit facility as well as immediate access to a $35 million term loan.

B. Debtors' Motion for Entry of an Order Authorizing the Debtors to (A) Continue to Operate their Cash Management System; (B) Maintain Existing Business Forms; (C) Grant Administrative Priority for Intercompany Claims and Perform Under Certain Intercompany Arrangements and Historical Practices; and (D) Assume and Assign Certain Account Control Agreements Pursuant to Section 365 of the Bankruptcy Code

12. In the ordinary course of business, the Debtors utilize a cash management system that provides well-established mechanisms for the collection, concentration, management and disbursement of funds used in their operations (the "***Cash Management System***"). The Debtors use the Cash Management System to collect, transfer and disburse funds generated from their operations, facilitate cash monitoring, forecasting and reporting and enable the Debtors to maintain control over the bank accounts (collectively, the "***Bank Accounts***") located at the banks (the "***Banks***").

13. The Cash Management System consists of approximately 82 Bank Accounts with the following financial institutions: (a) PNC Bank, N.A. ("***PNC Bank***"); (b) Bank of America, N.A. ("***Bank of America***"); (c) Citizens Bank; (d) TD Bank, N.A. ("***TD Bank***"); (e) Sovereign Bank; (f) JP Morgan Chase, N.A. ("***Chase Bank***"); (g) Wachovia Corporation ("***Wachovia***

Bank"); (h) Wells Fargo Bank, N.A. ("***Wells Fargo Bank***"); (i) Associated Bank, N.A. ("***Associated Bank***"); (j) USAmeriBank; and (k) The People's Bank.[2]

14. The Debtors have designed the Cash Management System to meet their operating needs, enable management to control and monitor corporate funds by creating status reports on the location and amount of funds, ensure cash availability and liquidity, comply with the requirements of their financing agreements, reduce administrative expenses by facilitating the movement of funds and enhance the development of accurate account balances.

15. I believe that these controls are crucial given the significant volume of cash transactions managed through the Cash Management System on a daily basis. Additionally, with the assistance of their advisors, the Debtors have implemented internal control procedures that prohibit payments on account of prepetition debts without the prior approval of the Debtors' finance department. I believe that the continued use of the Debtors' Cash Management System outlined below will greatly facilitate their transition into chapter 11 by, among other things, avoiding administrative inefficiencies and expenses and minimizing delays in payment of postpetition debts.

i. Overview of the Cash Management System

16. Before implementing the Cash Management System, the Debtors historically maintained a system in which funds were collected through various depository accounts (the "***Collection Accounts***"), transferred to several main operating accounts (the "***Main Operating***

[2] As of the Petition Date, Citizen's Bank, Wachovia Corporation, Associated Bank, N.A., USAmeriBank and The People's Bank are not designated as authorized depositories (the "***Authorized Depositories***") pursuant to the U.S. Trustee Chapter 11 Guidelines for the District of Delaware ('***U.S. Trustee Guidelines***"). I am informed that, in accordance with the practice in this jurisdiction, the Debtors will make a good faith effort after the Petition Date to cause those Banks that are not Authorized Depositories to execute a Uniform Depository Agreement in a form prescribed by the U.S. Trustee. To the extent the Debtors need to open a new bank account after the Petition Date, they will only do so either at an Authorized Depository or after consulting with the U.S. Trustee.

Accounts") and then disbursed through separate accounts to pay various operating expenses (the "***Disbursement Accounts***"). Under this arrangement, all credit and debit transactions were facilitated through the Main Operating Accounts.

17. In 2007, the Debtors entered into an asset-based credit facility (the "***ABL Facility***") with UBS AG, Stamford Branch ("***UBS***") as the administrative agent and certain lenders. Shortly after entering into the ABL Facility, the Debtors entered into account control agreements (each, a "***Control Agreement***" and collectively, the "***Control Agreements***") with UBS with respect to certain Bank Accounts. Pursuant to the Control Agreements, the Debtors maintained the Cash Management System unless and until UBS, at its discretion, delivered an activation notice (the "***Activation Notice***"), thereby activating the terms of the Control Agreements.

18. In September 2010, due to the Debtors' constrained liquidity situation, UBS delivered an Activation Notice to the Debtors. Pursuant to the Control Agreements, all credit transactions are either facilitated through collection accounts that are subject to the terms of a Control Agreement (collectively, the "***Controlled Collection Accounts***") or directly deposited into Controlled Collection Accounts. Additionally, all Collection Accounts are swept on a daily-basis, or as necessary in the case of low-balance Collection Accounts, through manual bank transfers to Controlled Collection Accounts. Before the Petition Date, any amounts in the Controlled Collection Accounts were wired at the beginning of every business day to UBS to pay down the outstanding balance on the ABL Facility. Pursuant to the terms of the ABL Facility, the Debtors then requested the funds necessary to satisfy all subsequent debit transactions. Most debit transactions were made through a wire transfer or by check to disbursement accounts (collectively, the "***Master Disbursement Accounts***"). These funds were then disbursed through

separate Disbursement Accounts. Certain limited debit transactions, such as letters of credit and payments to UBS, were made directly from the ABL Facility to pay various expenses, including the establishment of letters of credit, interest-related charges and bank fees.

ii. Relationship Between the Cash Management System and the Debtors' Proposed Postpetition Financing and Restructuring

19. As described above, the Debtors have also filed a motion (the "***DIP Motion***") seeking authority to enter into a postpetition $140 million financing agreement. As contemplated in the DIP Motion, the Cash Management System will remain largely the same while the DIP Facility is in place, with the DIP Facility Tranche A taking the place of the ABL Facility on a postpetition basis. In particular, the Debtors will continue to transfer any amounts in the Controlled Collection Accounts on a daily basis to pay down the outstanding balance on the DIP Facility Tranche A. To achieve this end, the Debtors seek authorization to assume and assign the Control Agreements entered into with UBS as administrative agent for the ABL Credit Line to UBS as administrative agent under the DIP Facility Tranche A.

iii. The Debtors' Existing Bank Accounts

20. Below is a description of the four main types of the Debtors' existing Bank Accounts:

a. Collection Accounts. The Collection Accounts fund various Controlled Collection Accounts. Funds in the Collection Accounts are generated from retail, mail order and employee sales. The Collection Accounts are swept daily through manual bank transfers, or as necessary in the case of low-balance Collection Accounts, to the Controlled Collection Accounts. I am informed that the Collection Accounts generally maintain a zero-balance.[3]

[3] Two Collection Accounts (USAmeriBank, account nos. 6385 and 6393) are held in the name of Thompson Group, a non-Debtor entity from which the Debtors acquired the business Linen Source in March 2010. Linen Source Acquisition LLC, a Debtor, will begin operations in 2011. Until that time, I am informed that the Collection Accounts associated with the Thompson Group will fund PNC Bank, account numbers 8845 and 8888.

b. Controlled Collection Accounts. The Controlled Collection Accounts collect funds generated by the Collection Accounts. The Controlled Collection Accounts are subject to the Control Agreements. Prepetition funds in these accounts were wired to UBS to pay down the ABL Facility at the beginning of every business day; pursuant to the proposed DIP Facility Tranche A, funds in these accounts will be used to pay down the DIP Facility Tranche A on a daily basis postpetition. I am informed that the Controlled Collection Accounts generally maintain a zero-balance.

c. Master Disbursement Accounts. Before the Petition Date, the Master Disbursement Accounts were funded from the ABL Facility; after the Petition Date, the Master Disbursement Accounts will be funded by the DIP Facility Tranche A. I am informed that the Master Disbursement Accounts generally maintain a zero-balance.

d. Disbursement Accounts. The Disbursement Accounts are funded by the Master Disbursement Accounts and pay for general operating expenses, such as merchandise, refunds and employee payroll. I am informed that these accounts generally maintain a zero-balance.[4]

iv. The Stand-Alone Accounts

21. In addition to the Bank Accounts described above, certain Debtors maintain stand-alone accounts as described below. Certain of the stand-alone accounts contain nominal balances and I am informed may be closed after the Petition Date.

a. TD Bank Accounts. Debtor Johnny Appleseed's, Inc. maintains two Collection Accounts with TD Bank (account nos. 6669 and 6955), both of which are used to collect receipts from retail outlet stores. Together these accounts fund a separate TD Bank Account (account no. 6822). I understand that the funds in account number 6822 are used to make payroll disbursements,

[4] In addition to the two Collection Accounts, two Disbursement Accounts (USAmeriBank, account nos. 6427 and 6351) are also held in the name of Thompson Group in connection with the Debtors' March 2010 acquisition of Linen Source. The Debtors have activated two Disbursement Accounts with PNC Bank (account nos. 8853 and 8861) in the name of Linen Source Acquisition LLC, but these accounts are not yet receiving funds. I am informed that through a Master Disbursement Account at PNC Bank (account no. 4399), the Debtors will continue to fund the Disbursement Accounts associated with the Thompson Group until Linen Source Acquisition LLC begins operation in 2011.

when necessary, through a separate zero-balance Disbursement Account with TD Bank (account no. 6947).

b. Wachovia Bank Accounts. I am informed that Debtor Arizona Mail Order Company, Inc. maintains an inactive Bank Account with Wachovia Bank (account no. 3198), which generally holds less than $10,000 at any given point in time. Additionally, Arizona Mail Order Company, Inc. funds an operating Bank Account with Wachovia Bank (account no. 2533) with funds from a Controlled Collection Account with PNC Bank (account no. 6764), which is funded solely for the purpose of paying outstanding refund checks. I understand that disbursements for presented refund checks are then made through a separate zero-balance Disbursement Account with Wachovia Bank (account no. 0574).

c. Wells Fargo Bank Account. Debtor Draper's & Damon's LLC maintains a Bank Account with Wells Fargo Bank (account no. 2158). I am informed that Draper's & Damon's LLC does not utilize this account.

d. PNC Bank Accounts. Debtor Blair Holdings, Inc. maintains a stand-alone Bank Account with PNC Bank (account no. 2093), which I am informed generally holds less than $10,000. Additionally, Blair Holdings, Inc. maintains a money market account with PNC Bank (account no. 1502), which I am informed generally holds less than $20,000. Debtor Norm Thompson Outfitters, Inc. maintains a Collection Account with PNC Bank (account no. 7649), which, in addition to funding account number 1652 (a Controlled Collection Account) directly funds account number 7614 for the purposes of honoring refund checks. Additionally, Debtor Blair International Holdings, Inc. holds a stand-alone international account with PNC Bank (account no. 9759). I am informed that that this Bank Account generally holds less than $10,000.

e. The People's Bank Account. Debtor Haband Operations, LLC holds a certificate of deposit (the "***CD***") with The People's Bank (account no. 1969). I understand that the CD is insured for the full amount by the Federal Deposit Insurance Corporation and serves as collateral for paychecks payable to employees of the Debtor's distribution centers. I am informed that that the CD is worth approximately $82,000 and is automatically renewed each year.

v. The Debtors' Ordinary Course ACH Payments, Bank Fees and Preparation for the Chapter 11 Filing

22. In the ordinary course of business, the Debtors conduct transactions by debit, wire or automatic clearing house ("***ACH***") and other similar methods. In addition, a large percentage of the Debtors' customer credit card payments are received through ACH or wire transfer. In fact, from discussions with counsel, I am informed that the Debtors are required by certain federal and state taxing authorities to submit tax payments electronically through wire or ACH, and failure to do so results in the imposition of penalties.

23. Furthermore, in the ordinary course, the Banks (as well as certain credit card processors) charge, and the Debtors pay, honor or allow the deduction from the appropriate account, certain service charges and other fees, costs and expenses (collectively, the "***Bank Fees***").

vi. The Debtors' Intercompany Transactions

24. In the ordinary course of business, certain of the Debtor entities and business divisions maintain business relationships with each other, resulting in intercompany receivables and payables (collectively, the "***Intercompany Claims***"). These business relationships result in certain Debtors funding shared service costs, including employee benefits and payroll, shipping expenses, inventory and supply costs, customer refunds, insurance premiums and professional fees. These costs and revenues are then allocated among the legal entities and business divisions (within the legal entities) resulting in Intercompany Claims. Indeed, as funds are disbursed throughout the Cash Management System (for example, as funds are disbursed from the DIP Facility on a postpetition basis), there may be, at any given time, Intercompany Claims owed by

one Debtor to another (the "***Intercompany Transactions***") in connection with the disbursement of funds.[5]

25. The Debtors do not transfer funds from one Debtor entity to another; rather, before the Petition Date, all Intercompany Claims were netted against each other and then offset against the ABL Facility. Postpetition, all Intercompany Claims between Debtors will be netted against each other and then offset against the DIP Facility Tranche A. The Debtors maintain records of all Intercompany Transactions and, therefore, are able to ascertain, trace and account for the Intercompany Transactions. I believe that if the Intercompany Transactions were to be discontinued, the Cash Management System and related administrative controls would be disrupted.

vii. The Debtors' Existing Business Forms and Checks

26. In the ordinary course of business, the Debtors use a variety of checks and business forms. To minimize expenses to their estates, I believe it is appropriate for the Debtors to continue to use all correspondence and business forms (including letterhead, purchase orders and invoices) as such forms were in existence immediately before the Petition Date – without reference to the Debtors' status as debtors in possession – rather than requiring the Debtors to incur the expense and delay of ordering entirely new business forms.

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[5] Because the Debtors engage in Intercompany Transactions on a regular basis and such transactions are common among enterprises similar to the Debtors, I am informed from Debtors' counsel that the Intercompany Transactions are ordinary course transactions within the meaning of section 363(c)(1) of the Bankruptcy Code and, thus, do not require the Court's approval. Nonetheless, out of an abundance of caution, the Debtors are seeking express authority to engage in such Intercompany Transactions on a postpetition basis. The continued performance of the ordinary course Intercompany Transactions is integral to ensuring the Debtors' ability to operate their businesses as debtors in possession.

OPERATIONAL MOTIONS PURSUANT TO RULE 6003

A. Debtors' Motion for Entry of Interim and Final Orders Authorizing, but Not Directing, the Debtors to (A) Pay Prepetition Employee Wages, Other Compensation and Reimbursable Employee Expenses and (B) Continue Employee Benefits Programs

i. Overview of the Debtors' Workforce

27. As of the Petition Date, the Debtors employ approximately 4,260 employees (the "***Employees***"). Of the approximately 4,260 Employees, approximately 3,000 are full-time Employees (Employees that work a minimum of 35 hours per week) and approximately 1,260 are part-time Employees (Employees that work less than 35 hours per week).

28. In addition, the Debtors supplement their business needs and workforce with approximately 70 independent contractors (the "***Independent Contractors***") and approximately 220 temporary employees who are retained through third-party employers and agencies (the "***Temporary Employees***").

29. The Employees, Independent Contractors and Temporary Employees perform a variety of critical functions, including sales, customer service, purchasing as well as administrative, accounting, legal, finance, management, supervisory and other related tasks. I believe that their skills, knowledge and understanding with respect to the Debtors' operations, customer relations and infrastructure are essential to the effective reorganization of the Debtors' businesses.

30. Just as the Debtors depend on the Employees, Independent Contractors and Temporary Employees to operate their businesses on a daily basis, these individuals also depend on the Debtors. Indeed, the vast majority of these individuals rely exclusively on payments received from the Debtors for their basic living necessities.

ii. Wages, Payroll and Other Compensation

a. Wage Obligations

31. In the ordinary course of business, the Debtors incur payroll obligations for base wages and overtime compensation owed to their Employees, Independent Contractors and Temporary Employees (collectively, the "***Wage Obligations***"). Depending on an individual's status, Wage Obligations are paid on either a weekly or bi-weekly basis in arrears. My colleagues in the human resources department have informed me that on a bi-weekly basis, Wage Obligations average a total of approximately $5.6 million.

32. The Debtors' payroll is administered by Automatic Data Processing, Inc. ("***ADP***"), a third-party service provider, which distributes payroll, either directly to Employees via check or through direct deposits with funds advanced by the Debtors. I have been informed that the Debtors' payroll for the period ending January 15, 2011, has already been paid to ADP and debited from the Debtors' payroll account.[6] Nonetheless, I believe that certain limited prepetition payroll amounts may remain unpaid as of the Petition Date because, among other things, wire transfers may not have been effectuated or various checks may not have cleared before the Petition Date. In addition, I believe that certain individuals may be owed payment in arrears for, among other services, overtime work in the days preceding the commencement of these chapter 11 cases.

33. Specifically, outstanding prepetition Wage Obligations include the following (collectively, the "***Unpaid Compensation***"):

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[6] *See Debtors' Motion for Entry of an Order Authorizing the Debtors to (A) Continue to Operate their Cash Management System; (B) Maintain Existing Business Forms; (C) Grant Administrative Priority for Intercompany Claims and Perform Under Certain Intercompany Arrangements and Historical Practices; and (D) Assume and Assign Certain Account Control Agreements Pursuant to Section 365 of the Bankruptcy Code* at ¶ 16, filed contemporaneously with this declaration.

- Employee Compensation. Employee compensation consists of amounts owed to the Debtors' full and part-time Employees, including prepetition wages, salaries and commissions,[7] but excluding severance, bonuses, relocation expense reimbursements and vacation time. As of the Petition Date, I am informed that the Debtors owe approximately $2,200,000 on account of compensation owed to the Employees in the ordinary course of business.

- Independent Contractor Compensation. The Debtors' aggregate monthly payments to their approximately 229 Independent Contractors total approximately $580,000. As of the Petition Date, I am informed that approximately $45,000 has accrued and remains outstanding on account of prepetition services provided by Independent Contractors, each of whom are individuals.

- Temporary Employee Compensation. The Debtors' compensation to their Temporary Employees includes monthly fees that the Debtors remit to third-party agencies in exchange for the services they provide with respect to Temporary Employees. As of the Petition Date, I am informed that approximately $19,000 has accrued and remains outstanding on account of prepetition services performed by the Temporary Employees, each of whom are individuals.

34. The Debtors seek the authority to pay and honor the Unpaid Compensation in an amount not to exceed $11,725 per eligible Employee, Independent Contractor or Temporary Employee, and continue to honor the Wage Obligations on a postpetition basis in the ordinary course of business.

b. Unpaid Payroll Service Fees

35. The majority of the Debtors' Wage Obligations are made by direct deposit through the electronic transfer of funds from the Debtors' payroll department directly to each

[7] The Debtors incentivize certain call center Employees with a commissions program encouraging the cross-selling of products during customer calls. I am informed that Employee compensation includes any unpaid prepetition portion of the Debtors' aggregate monthly payments to their approximately 1,375 eligible call center Employees, totaling approximately $16,000.

Employee's bank account, with the balance of Employees receiving checks. Most of the Debtors outsource this operation to ADP.

36. Specifically, ADP is responsible for serving as the Debtors' payroll and federal W-2 tax form processing vendor, as well as completing the Debtors' payroll tax filings, including federal, state and local tax filings. In addition, for each payroll period, ADP processes direct deposit transfers, or administer payroll checks to Employees, from certain disbursement accounts funded by the Debtors with the amounts necessary to satisfy the Debtors' payroll obligations. I believe that ADP is crucial to providing the Debtors with a payroll system that functions seamlessly.

37. The Debtors incur approximately $350,000 per year in fees for ADP's services. As of the Petition Date, I am informed that approximately $80,000 has accrued and remains outstanding on account of fees owed to ADP for services rendered prepetition (the "***Unpaid Payroll Service Fees***"). The Debtors seek authority to remit the Unpaid Payroll Service Fees and continue to use ADP in the ordinary course of business on a postpetition basis.

iii. Deductions and Payroll Taxes

38. During each applicable pay period, the Debtors routinely deduct certain amounts from Employees', Independent Contractors' and Temporary Employees' gross pay, including garnishments, child support and similar deductions (collectively, the "***Deductions***"), which either the Debtors or a third-party service provider then forward to the appropriate recipients. On a bi-weekly basis, I am informed that the Deductions total approximately $66,000. As of the Petition Date, I understand that approximately $18,000 in Deductions have been collected but not yet remitted to the appropriate third-party recipients (collectively, the "***Unremitted Deductions***").

39. In addition to the Deductions, the Debtors are required by law to withhold amounts from Employees, Independent Contractors and Temporary Employees' wages that are

related to federal, state, provincial and local income taxes, including social security and Medicare taxes and employment insurance, for remittance to the appropriate taxing authorities (collectively, the ***"Payroll Taxes***"). As of the Petition Date, I understand that the Debtors estimate that approximately $1,100,000 in Payroll Taxes has been collected but not yet remitted to the appropriate third-party recipients (collectively the "***Unremitted Payroll Taxes***").

40. The Debtors believe that because the Unremitted Deductions and certain Unremitted Payroll Taxes are held for payment to third-parties, they are properly deemed to be held in trust, and thus, do not constitute property of the Debtors' estates. Out of an abundance of caution, however, the Debtors seek authority to remit the Unremitted Deductions and Unremitted Payroll Taxes and continue collecting and remitting the Unremitted Deductions and Unremitted Payroll Taxes in the ordinary course of business on a postpetition basis.

iv. Reimbursable Expenses

41. In the ordinary course of business, the Debtors reimburse certain Employees for reasonable, customary and approved expenses incurred on behalf of the Debtors in the scope of their employment and service, including travel expenses[8] and credit cards,[9] in accordance with the Debtors' policies (collectively, the "***Reimbursable Expenses***").

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8 More specifically, I am informed that the Debtors routinely reimburse certain Employees for expenses such as travel, meals, parking, automobile mileage and other business-related expenses that are incurred in the scope of their employment or service. Although the Debtors ask that Employees promptly submit their reimbursement requests, not all of them are able to do so. In fact, it is likely that Employees will submit requests for prepetition expenses after the Petition Date. Thus, the Debtors are unable to provide a detailed listing of unpaid prepetition travel expenses at this time.

9 The Debtors reimburse approximately 240 Employees each month for business-related purchase card expenses (collectively, the "***Employee Purchasing Cards***"). I am informed that all participating Employees are personally liable for charges incurred on the Employee Purchasing Cards; however, in some instances, the Debtors may remit a direct payment for the Employee Purchasing Cards. With respect to certain other credit cards, the participating Employees pay directly and are subsequently reimbursed by the Debtors.

42. As of the Petition Date, I am informed that the total prepetition amount with respect to all Reimbursable Expenses is approximately $23,000 (collectively, the "***Unpaid Reimbursable Expenses***").

43. To avoid unnecessary disruption, the Debtors seek the authority, solely pursuant to the Final Order, to pay the Unpaid Reimbursable Expenses in an amount not to exceed $3,000 per eligible Employee and continue to honor Reimbursable Expenses in the ordinary course of business on a postpetition basis.

v. Employee Bonus Programs

44. The Debtors maintain several bonus programs that are utilized to encourage and incentivize Employees and increase the Debtors' revenue (collectively and as discussed herein, the "***Employee Bonus Programs***," and related unpaid amounts, the "***Unpaid Bonuses***"). I believe that the Employee Bonus Programs are an integral part of the Debtors' culture and a fundamental component of the compensation structure for many Employees and are designed to encourage Employees to achieve performance goals and maintain the Debtors' competitive status with industry peers. Notably, at this time the Debtors do not seek to make payments to "insiders" (as defined by the section 101(14) of the Bankruptcy Code) in connection with the continuation of the Employee Bonus Programs.

a. Key Manager Programs

45. The Debtors have established a middle-management bonus program (the "***Key Manager Program***") at the brand-level pursuant to which eligible mid-management Employees can earn a flat sum bonus depending upon their respective status based on year-end performance. The amounts of such bonuses generally depend on various factors, including certain preset performance objectives and other metrics within the control of an Employee's respective department. Additionally, the Key Manager Program is based on whether a specific Employee's

brand or the Debtors as a whole have met projected earnings before interest, taxes, depreciation and amortization ("***EBITDA***") expectations. To qualify for the Key Manager Program, the following criteria must be satisfied: (a) an applicable Employee must achieve 80% of their personalized objectives and (b) the applicable Employee's brand (or the Debtors as a whole) must achieve 95% of its objectives. The Key Manager Program year runs parallel to the Debtors' fiscal year (generally calendar year), with bonuses paid in the following fiscal year. I am informed that the estimated cost of the Key Manager Program, if paid out fully at target after the Petition Date, will be approximately $300,000 (or an average of $10,000 per eligible Employee). Because the Key Manager Program will be earned by the affected Employees based upon their postpetition employment with the Debtors in the ordinary course of business,[10] the Debtors believe no prepetition amounts are outstanding under the Key Manager Program.

b. Retail Bonus Programs

46. The Debtors maintain 55 retail stores in the United States. To incentivize Employees at these locations, the Debtors have established personnel bonus programs for various Employees (collectively, the "***Retail Bonus Programs***"). The amount of bonuses available under the Retail Bonus Programs generally depends on various factors, including performance objectives and other metrics. I believe that the Retail Bonus Programs are an imperative and necessary motivational and retention tool for the Debtors' high-performing retail Employees. I am informed that approximately 210 Employees will meet the criteria for payouts pursuant to the Retail Bonus Programs, with average payments of approximately $220 per applicable Employee.

[10] The Debtors will provide a list of all recipients under the Key Manager Program to the Office of the United States Trustee for the District of Delaware and any statutory committee, once appointed. Upon request, the Debtors will provide a list of all recipients under the Key Manager Program to the Administrative Agents (as defined in the First Day Declaration).

47. As of the Petition Date, I understand that the estimated prepetition amounts that are unpaid with respect to the Retail Bonus Programs total approximately $47,000 (collectively, the "***Unpaid Retail Bonuses***"). To continue motivating their retail Employees, the Debtors seek the authority, solely pursuant to the Final Order, to pay the Unpaid Retail Bonuses and continue to offer the Retail Bonus Programs in the ordinary course of business on a postpetition basis.

c. Distribution Center Bonus Programs

48. The Debtors maintain three major distribution centers or warehouses to store, manage and distribute their products. To incentivize their warehouse employees to meet productivity and safety standards, the Debtors established certain incentive programs (collectively, the "***Distribution Center Bonus Programs***"). The amount of the bonuses payable under the Distribution Center Bonus Programs depend on productivity metrics such as "units moved per hour" and certain safety metrics. I am informed that approximately 730 Employees will meet the criteria for payouts pursuant to the Distribution Center Bonus Programs, with average payments of approximately $133 per applicable Employee.

49. As of the Petition Date, I am informed that the estimated prepetition amounts that are unpaid with respect to the Distribution Center Bonus Programs total approximately $97,000 (collectively, the "***Unpaid Distribution Center Bonuses***"). To continue motivating their warehouse Employees, the Debtors seek authority, solely pursuant to the Final Order, to pay the Unpaid Distribution Center Bonuses and continue to offer the Distribution Center Bonus Programs in the ordinary course of business on a postpetition basis.

d. LinenSource™ Transitional Bonuses

50. In March 2010, the Debtors acquired the LinenSource™ brand and associated businesses. To facilitate the integration and transition of LinenSource™ into the Debtors' family of businesses, the Debtors implemented certain incentive programs (the "***Implementation***

Bonuses") designed to induce certain LinenSource™ Employees to remain with the Debtors and continue to contribute to the business during the transition. I am informed that the Debtors estimate that approximately 15 Employees will meet the criteria for payouts pursuant to the Implementation Bonuses with average payments of approximately $5,000 per applicable Employee.

51. I am informed that as of the Petition Date, the Debtors estimate that the total prepetition amount with respect to the Implementation Bonuses is approximately $75,000 (collectively, the "***Unpaid Implementation Bonuses***").[11] To continue the necessary integration of the LinenSource™ businesses, the Debtors seek the authority, solely pursuant to the Final Order, to pay the Unpaid Implementation Bonuses and continue to offer the Implementation Bonuses in the ordinary course of business on a postpetition basis.

vi. Employee Severance Obligations

52. The Debtors have historically maintained a severance program pursuant to which each eligible Employee is entitled to a certain number of weeks of severance benefits based on their position and length of service with the Debtors, as well as post-employment medical benefits (the "***Employee Severance Program***"). In certain cases, payments made under the Employee Severance Program are provided to former Employees in exchange for releases entered into with such Employees, whereby the Employees release claims otherwise held against the Debtors and agree to, among other things, not disclose confidential information, solicit employees or disparage the Debtors for a certain period of time. The Debtors do not seek the authority in this motion to pay any obligations under the Employee Severance Program to any

[11] The Unpaid Implementation Bonuses include certain unpaid relocation incentives for applicable Employees.

"insider" (as the term is defined in section 101(14) of the Bankruptcy Code) outside the confines imposed by section 503(c)(2) of the Bankruptcy Code.

53. As of the Petition Date, I am informed that 19 former Employees receive payments under the Employee Severance Program for services rendered before the Petition Date. I am informed that approximately $53,000 has accrued and remains outstanding on account of the Employee Severance Program ("***Unpaid Severance***"). I am further informed that no one Employee is owed more than $11,725. The Debtors seek authority to continue the Employee Severance Program and to remit Unpaid Severance pursuant only to the Final Order.

54. Additionally, the Debtors reimburse former Employees for Consolidated Omnibus Budget Reconciliation Act ("***COBRA***") expenses for the duration of their severance benefits. As of the Petition Date, I am informed that the estimated prepetition obligations related to COBRA reimbursements total approximately $5,000 (the "***COBRA Reimbursements***"). The Debtors also hold certain COBRA premiums of former Employees in trust and then remit those premiums to the appropriate third-parties. I am informed that as of the Petition Date, the prepetition obligations related to COBRA premiums held in trust total approximately $2,000 (the "***COBRA Premiums In Trust***"). I am informed that the Debtors' estimate that the maximum exposure on account of prepetition COBRA obligations, including the COBRA Reimbursements and the COBRA Premiums In Trust, is approximately $7,000 ("***Unpaid COBRA***"). The Debtors seek authority to pay Unpaid COBRA immediately pursuant to the Interim Order.

55. I believe that if the Debtors are unable to continue the Employee Severance Program and pay Unpaid Severance and Unpaid COBRA, current Employees may question the Debtors' commitment to the Employee Severance Program (and Employees generally), which is intended to ease their financial burden in the event they are terminated. Moreover, I believe that

Employee morale and loyalty will be jeopardized at a time when Employee support is critical. I believe that it is important that the Debtors fulfill their obligations under the Employee Severance Program to reassure all Employees that the Debtors honor their obligations to Employees – both during and after their tenure with the Debtors – including those incurred postpetition under the Employee Severance Program. Additionally, I believe that because the COBRA Premiums In Trust are held for payment to third-parties, they are properly deemed to be held in trust and, therefore, do not constitute property of the Debtors' estates.

vii. Employee Benefits Plans

56. The Debtors maintain various employee benefit plans and policies, including health care, prescription drug benefits, dental and vision plans and flexible benefits plans (collectively, and as discussed in more detail below, the "***Employee Benefits Plans***").

a. Health Benefits

57. All regular, full-time, Employees are eligible to receive the following medical, prescription drug, dental and vision insurance coverage (collectively, the "***Health Benefits***"):

- Medical and Prescription Drug Plans. BlueCross BlueShield of Massachusetts ("***BCBS***") administers the Debtors' domestic medical and prescription drug coverage plans for approximately 2,600 covered Employees (the "***Medical Plan***"). I understand the Debtors' average annual cost to administer the Medical Plan is approximately $16.4 million, net of Employee contributions. I am informed that as of the Petition Date, the Debtors estimate that they owe $2,000,000 of prepetition obligations under the Medical Plan.

- Dental Plan. BCBS administers the Debtors' dental plans for approximately 2,500 covered Employees (the "***Dental Plan***"). I understand that the Debtors' average annual cost to administer the Dental Plans is approximately $1 million. I am informed that as of the Petition Date, the Debtors estimate that they owe a *de minimis* amount of prepetition obligations to BCBS under the Dental Plan.

- Vision Plan. Vision Service Plan administers the Debtors' vision benefits plan for approximately 2,000 Employees (the "***Vision Plan***"). The Vision Plan is fully funded by the participating Employees. The Debtors serve as a conduit through which Employee payments are made to the Vision Plan administrator. I am informed that as of the Petition Date, the Debtors estimate that they owe a *de minimis* amount of prepetition obligations to BCBS under the Vision Plan. The Debtors seek authority, out of an abundance of caution, to forward the Employee contributions and to continue the Vision Plan in the ordinary course of business.

58. In addition to the $2,000,000 prepetition obligations owed on account of Health Benefits, I am aware that the Debtors also hold approximately $166,000 of Employee-made Health Benefits payments, collected by the Debtors pursuant to payroll deductions, which funds are held in trust and which the Debtors seek to remit to the appropriate third-party health providers on behalf of the Employees (collectively, the "***Unpaid Health Benefits***").[12] Considering that the Health Benefits are vital to the Debtors' Employees and that the vast majority of the Unpaid Health Benefits are held in trust for the Employees and are not property of the Debtors' estates, the Debtors seek the authority to remit the Unpaid Health Benefits. The Debtors also seek to continue providing the Health Benefits in the ordinary course of business on a postpetition basis.

b. Flexible Benefits Plan

59. The Debtors offer all of their full-time Employees the ability to contribute a portion of their pre-tax compensation to flexible spending accounts to pay for eligible, out-of-pocket health care and dependent care costs and expenses (the "***Flexible Benefits Plan***"). The

[12] The Unpaid Health Benefits include *de minimis* outstanding prepetition obligations for call center Employee health benefits. .

Flexible Benefits Plan is administered by Benefit Concepts. I am informed that approximately 560 Employees participate in the Flexible Benefits Plan.

60. The Flexible Benefits Plan is fully funded by Employee contributions. The Debtors forward those contributions, in addition to certain administrative fees, to Benefit Concepts on behalf of the applicable Employees. As of the Petition Date, I am informed that the Debtors hold $30,000 in Employee contributions to the Flexible Benefits Plan and related administrative fees (the "***Flexible Benefits Plan Obligations***"). Thus, amounts contributed pursuant to the Flexible Benefits Plan are not assets of the Debtors' estates; rather, these amounts are held in trust for the participating Employees. The Debtors request the authority to forward the Flexible Benefits Plan Obligations if and when they become due and continue offering the Flexible Benefits Plan in the ordinary course of business on a postpetition basis.

viii. Employee Workers' Compensation, Insurance Plans and Disability Benefits

a. Worker's Compensation Programs

61. The Debtors maintain workers' compensation insurance for their Employees at the mandated level required by each state in the United States in which the Debtors operate (the "***Workers' Compensation Program***"). The Debtors maintain their Workers' Compensation Program with the Liberty Mutual Group (the "***Workers' Compensation Policy***"). I understand that the Worker's Compensation Policy covers the period beginning June 1, 2010 and ending June 1, 2011. The Worker's Compensation Policy generally includes deductibles of $1 million per accident. I am informed that the Debtors pay a total of approximately $1.2 million in annual premiums for the Worker's Compensation Policy, which are paid in monthly installments of approximately $100,000 per month. I am further informed that as of the Petition Date, the Debtors estimate that they do not owe any prepetition Workers' Compensation Policy premiums obligations (the "***Unpaid Workers' Compensation Premiums***"). The Debtors request the

authority to continue the Workers' Compensation Program in the ordinary course of business on a postpetition basis.

b. Disability, Life and Accidental Death and Dismemberment Insurance

62. Most of the Debtors provide short-term disability, long-term disability, basic term life and accidental death and dismemberment insurance coverage for their full-time Employees (at no cost to the Employees) (the "***Employee Insurance Coverage***"). Sun Life Insurance Company provides the Employee Insurance Coverage.

63. As of the Petition Date, I am informed that in addition to the Debtors' *de minimus* prepetition obligation owed on account of Employee Insurance Coverage, the Debtors also hold approximately $10,000 in Employees' premiums for supplemental insurance coverage, collected pursuant to payroll deductions, in trust for payment to third-party providers (collectively, the "***Unpaid Employee Insurance Coverage***"). The Debtors seek the authority to remit the Unpaid Employee Insurance Coverage costs and continue offering Employee Insurance Coverage in the ordinary course of business on a postpetition basis.

ix. Vacation Time, Leaves of Absence and Paid Holidays

64. The Debtors provide all full-time Employees with vacation time as a paid, time-off benefit ("***Vacation Time***"). The amount of available Vacation Time, and the rate at which such Vacation Time accrues, is generally determined by the Employee's position, length of full-time employment and the location of that Employee's employment. When taking those factors into account, Employees can receive between three to five weeks of Vacation Time per year.

65. I understand that the Debtors generally maintain a "use it or lose it" Vacation Program,[13] Employees who do not use Vacation Time earned during a calendar year, or in

[13] I am informed from Debtors' counsel that certain Employees in California are permitted to carryover limited amounts of Vacation Time into a subsequent calendar year as required pursuant to state law.

certain instances, mid-calendar year, lose the ability to use such Vacation Time during the subsequent year. Additionally, upon termination of an Employee, the Employee's final paycheck will include any available, unused Vacation Time. As of the Petition Date, I am informed that the Debtors estimate that they are responsible for Vacation Time totaling approximately $860,000 (the "***Unpaid Vacation Time***"). This amount, however, is not a current cash pay obligation as Employees are only entitled to be paid for accrued and unused Vacation Time upon termination. I am informed that the Debtors currently estimate that they do not owe any outstanding cash obligations on account of Unpaid Vacation Time.

66. The Debtors also provide Employees with certain other leave of absence time as required by law (collectively, the "***Leave of Absence Time***"). Leave of Absence Time includes family medical leave, pregnancy, adoption and foster care leave, military leave, jury duty, voting leave, personal leave and bereavement leave. I am informed that the Debtors do not accrue Leave of Absence Time for their Employees and Leave of Absence Time is not reflected as a liability on the Debtors' balance sheets.

67. Furthermore, the Debtors maintain a policy whereby Employees receive compensation for certain non-working holidays (the "***Paid Holidays***"). Paid Holidays differ slightly among the Debtor entities and can vary between seven to ten days per calendar year. In addition, for non-exempt, hourly Employees who exceed their minimum, weekly work-hour requirement (40 hours per week) and perform work on a Paid Holiday, such Employees receive overtime compensation equal to one and one-half times their respective hourly rate.

68. The Debtors seek the authority, solely upon entry of the Final Order, to remit the Unpaid Vacation Time (if any) when such obligations become due and owing and continue

Vacation Time, Leave of Absence Time and Paid Holidays in the ordinary course of business on a postpetition basis.

x. 401(k) Employee Savings Plans

69. The Debtors maintain a retirement savings plan for the benefit of all eligible Employees that meets the requirements of section 401(k) of the Internal Revenue Code (the "***401(k) Plan***"). Approximately 2,500 Employees participate in the 401(k) Plan.

70. I understand that the Debtors withhold approximately $1.2 million (in the aggregate) each month from participants' paychecks on account of their 401(k) contributions. As of the Petition Date, I am informed that the Debtors hold in trust approximately $190,000 ("***Unremitted 401(k) Contributions***") in Employee 401(k) Plan contributions. The Debtors seek the authority to release the Unremitted 401(k) Contributions held in trust for their Employees; and continue operating the 401(k) Plan in the ordinary course of business on a postpetition basis.[14]

xi. Relocation Benefits

71. The Debtors make available certain relocation benefits to eligible Employees who are required to relocate to a new job location (the "***Relocation Benefits***"). The Relocation Benefits generally include closing costs on new homes, costs associated with the sale of existing homes, moving costs, costs of living adjustments, temporary housing costs, reimbursement of travel expenses, the costs of shipping Employees' vehicles to a new location, home-finding costs and certain tax allowances. I understand that the Relocation Benefits are determined on a case-by-case basis, depending on the needs of the individual Employee and his or her circumstances.

[14] I am informed that prior to the Petition Date, the Debtors maintained a 401(k) Plan "matching" program (the "***401(k) Matching Program***") for the benefit of eligible Employees. The Debtors do not seek authority at this time to continue the 401(k) Matching Program on a postpetition basis.

The Relocation Benefits are currently contingent obligations. I am informed that approximately eight current Employees may receive Relocation Benefits in the future. Although the costs of the Relocation Benefits vary, I am informed that the Debtors estimate that they will pay an average of approximately $50,000 per eligible Employee on account of the Relocation Benefits. As of the Petition Date, the Debtors estimate that they do not owe any outstanding prepetition amounts on account of the Relocation Benefits. I understand that the Debtors expect to maintain the Relocation Benefits after the Petition Date and request authorization, pursuant to the Final Order, to honor the Relocation benefits for eligible Employees postpetition.

B. Debtors' Motion for Entry of Interim and Final Orders Authorizing, but Not Directing, the Debtors to Pay Prepetition Claims of Lien Claimants

72. The Debtors require the delivery of goods on a regular basis for the production and distribution of their finished products throughout the United States and the world. The Debtors' pricing policies, marketing strategies and general business operations rely on their ability to receive and distribute finished goods in a timely fashion. To maintain their operations and efficiently transport products, the Debtors employ an extensive distribution network that uses both foreign and domestic third-party carriers who are in current possession of the Debtors' property as of the Petition Date (collectively, and as discussed below, the "***Possessory Lien Claimants***"). I understand from the Debtors' counsel that under the laws of most states, these carriers will, in certain circumstances, have a lien on the goods in their possession that secures the charges or expenses incurred in connection with the transportation of the goods. I believe that if the Possessory Lien Claimants' claims are not satisfied, they may refuse to release the Debtors' property, thereby disrupting the Debtors' product flow and operations.

73. I understand that the Debtors have identified approximately $10 million in prepetition amounts that have accrued and remain unpaid on account of the claims of Lien

Claimants. The Debtors seek the authority, but not the direction, pursuant to the Interim Order, to remit payment on account of the Lien Claimants in amount up to $6 million during the 21-day period after the Petition Date and in an amount up to $10 million pursuant to the Final Order.[15] I believe that this relief is necessary in light of the substantial harm that may befall the Debtors if the Lien Claimants fail to release the goods in their possession or otherwise move to assert their lien rights.

74. The Possessory Lien Claimants[16] fall into the following categories:

- Shippers: I am informed that the Debtors' domestic distribution network depends upon the use of reputable domestic and foreign common carriers, truckers, rail carriers, barge owners and dockers (collectively, the "***Shippers***") to deliver goods to the Debtors' production facilities and distribute finished products to the Debtors' customers. I believe the services provided by the Shippers are essential to the Debtors' ordinary course, day-to-day operations. At any given time, there are numerous shipments of products en route to or from the Debtors' facilities. Thus, I believe it is a certainty that some of the Shippers are currently in possession of the Debtors' property. I believe that the delivery of these goods is vital to maintaining the Debtors' operations during their transition into chapter 11. If the Debtors do not pay the prepetition, ordinary course obligations owed to these Shippers, I believe that they may refuse to deliver or release such property, thereby disrupting the Debtors'

[15] The Debtors have also filed the *Debtors' Motion for Entry of Interim and Final Orders Authorizing, but Not Directing, the Debtors to Pay or Honor Prepetition Obligations of Certain Critical Vendors and Holders of Certain Administrative Claims Under Section 503(b)(9) of the Bankruptcy Code* (the "***Critical Vendor Motion***"). To the extent the relief requested in the *Debtors' Motion for Entry of Interim and Final Orders Authorizing, but Not Directing, the Debtors to Pay Prepetition Claims of Lien Claimants* and in the Critical Vendor Motion is granted by the Court, the Debtors have agreed with their secured lenders that the total amount of obligations the Debtors are authorized to pay under such orders shall not exceed an aggregate of $50 million during these chapter 11 cases.

[16] In addition to the Possessory Lien Claimants described above, the Debtors also employ several third-party logistics coordinators to manage the transport of their raw materials and finished products (the "***Logistics Coordinators***"). The Logistics Coordinators work with Possessory Lien Claimants to deliver and store the Debtors' raw materials and finished products. Any interruption in payments to Logistics Coordinators would likely result in a lengthy delay in the Debtors' payments to their Possessory Lien Claimants and a serious risk of the Possessory Lien Claimants withholding delivery or services. As described herein, these delays could have a significant adverse impact on the Debtors' businesses and impede their supply chain.

business operations.

- Landlords: I am informed that the Debtors store products in the ordinary course of their businesses at facilities owned by other parties and leased by the Debtors (the "***Landlords***"). In the event that the Debtors fail to remit payment owed to the Landlords before the Petition Date and to the extent that the underlying lease is in default or is terminated, I believe that the Landlords may refuse to release the goods they retain pending satisfaction of all or a portion of their claims, thereby disrupting the Debtors' operations.

- Processors: I am informed that the Debtors also rely on third-party processors to manufacture or finish goods according to the Debtors' detailed specifications (the "***Processors***"). At any given time, the Processors may be performing services on, and therefore be in possession of, the Debtors' goods. Accordingly, I believe that the Debtors' failure to satisfy payment obligations to the Processors would result in the Processors' refusal to return the Debtors' goods, thereby disrupting the Debtors' business operations.

75. The Debtors also rely on, and routinely contract with, a number of third parties to obtain machinery and equipment used at their facilities and also have such machinery and equipment maintained and repaired. I am informed that the Debtors owe money to these third parties as a result of the goods and services they provide. I understand from discussions with Debtors' counsel that many of these parties have a right to assert and perfect statutory liens, which attach to the Debtors' real and personal property.

76. Additionally, as reflected in the proposed Interim Order and Final Order, the Debtors have agreed that prepetition amounts to be paid to any single Lien Claimant in an amount above $100,000 in the aggregate will be subject to prior review of counsel to the Consenting Lenders as well as the professionals representing the committee of unsecured creditors in these chapter 11 cases, once appointed.

C. Debtors' Motion for Entry of an Order Confirming Administrative Expense Status of Obligations Arising from Postpetition Delivery of Goods and Services

77. In the ordinary course of the Debtors' businesses, Vendors provide the Debtors with products, including supplies, equipment and finished apparel, home and lifestyle goods for resale (collectively, the "***Goods***") and various services, including transportation, maintenance and other necessary services for the Debtors' operations (collectively, the "***Services***").

78. I believe that, as a result of these chapter 11 cases, certain Vendors may be concerned that payments owed by the Debtors for Goods delivered or Services provided after the Petition Date will result in a general unsecured claim against the Debtors' estates, and therefore, such Vendors would not be paid timely on a postpetition basis. In addition, I understand that the Debtors use numerous foreign Vendors, many of whom may not be familiar with the Bankruptcy Code, and in particular, the protections provided to them pursuant to section 503(b)(1)(A) thereof with respect to Goods and Services provided to the Debtors after the Petition Date.

79. I further believe that the Debtors' businesses would be irreparably harmed should their Vendors discontinue shipping Goods and/or providing Services, even on a temporary basis, as it is imperative that delivery of Goods to the Debtors' customers is uninterrupted.

80. To provide assurance to their Vendors, the Debtors seek an order confirming the administrative expense status granted to obligations arising from Goods delivered and Services provided to the Debtors postpetition.

D. Debtors' Motion for Entry of an Order Authorizing, but Not Directing, the Debtors to Maintain and Administer Customer Programs and Honor Prepetition Obligations Related Thereto

81. Over more than six decades of combined experience, the Debtors have created numerous long-standing customer relationships through their different retail brands. These relationships have, in large part, been sustained by customer programs, which incentivize sales,

develop brand loyalty and establish (and maintain) customer goodwill (the "***Customer Programs***"). I believe that any failure to continue the Customer Programs and honor the obligations incurred thereunder (collectively, and as identified below, the "***Customer Program Obligations***") could erode hard-earned brand loyalty and customer goodwill, substantially reducing sales and jeopardizing the Debtors' ability to effectuate a successful reorganization. Accordingly, the Debtors seek authorization to continue the Customer Programs in the ordinary course of business and to honor the Customer Program Obligations, as discussed below, so that customer relationships are maintained and business operations can continue uninterrupted notwithstanding the restructuring process.

82. The importance of the Customer Programs is underscored by the fact that the Debtors are not seeking interim relief: the Customer Programs and the value they provide to the Debtors' estates are simply too important not to seek relief on a final basis. I believe that the Debtors will lose a significant number of customers and face a surge of cancellations in existing sales, if the Customer Programs are not honored or if there is any doubt about the Debtors' ability to honor the Customer Programs in the ordinary course.

i. Gift Cards and Gift Certificates

83. Before the Petition Date, the Debtors sold gift cards and gift certificates to retail customers for the purchase of merchandise in the Debtors' retail stores, catalog and online retail businesses (collectively, the "***Gift Cards***"). The Gift Cards generally carry no expiration date, and I am informed that as of the Petition Date, certain customers had not yet redeemed certain of the prepetition Gift Cards for merchandise. At the time that the Gift Cards were purchased by customers, customers had every expectation that the Gift Cards would be honored and applied towards purchases. Absent authority to honor the Gift Cards, I understand from discussions with the counsel that the Debtors would be unable to accept the Gift Cards for purchases, which

would negatively impact their sales and their customer relations. I believe this would inevitably lead to dissatisfied customers and negative publicity, which would potentially jeopardize the Debtors' reorganization efforts. Accordingly, I believe that the Debtors' ability to continue to honor the Gift Cards is necessary to their reorganization efforts.

ii. Returns, Refunds and Exchange Programs

84. If a customer is not satisfied with merchandise purchased from any of the Debtors' brands, the customer generally has the option to return or exchange the goods within 90 days after the purchase date so long as the customer has a receipt or the Debtors' have a record of the sale (collectively, the "***Customer Satisfaction Obligations***").[17] Further, certain of the Debtors' brands, such as Norm Thompson™, Haband!™ and Blair™, provide unconditional lifetime guarantees of customer satisfaction. The unconditional lifetime guarantees provide that if a customer is dissatisfied with a product for any reason, the customer may return the product for a full refund, with certain limited exceptions. This type of Customer Program is not uncommon in the retail apparel and accessories industry and, therefore, I believe it is critical to the Debtors' ability to remain competitive and continue to generate and maintain brand loyalty.

85. As a result of the Debtors' various Customer Satisfaction Obligations, I am informed that certain customers hold, as of the Petition Date, contingent claims against the Debtors for refunds, returns, exchanges and other credit balances relating to goods sold to customers, both at physical stores and online (collectively, the "***Refund Programs***"). The Debtors' outstanding prepetition obligations on account of the Refund Programs generally fall into two categories: obligations where (a) the Debtors have, as of the Petition Date, mailed checks to their customers on account of a Refund that remain uncashed and (b) certain of the

[17] Merchandise purchased from the Debtors' online stores may be returned by mail or to one of the Debtors' stores.

Debtors' customers have paid for their purchase by check in an amount that exceeds the total cost of the goods purchased (including related tax and shipping costs), leaving the Debtors with a balance that the Debtors return on a periodic basis to the customer (the "***Current Refund Obligations***").[18] I understand that the Debtors estimate that, as of the Petition Date, they owe approximately $6 million on account of outstanding Current Refund Obligations, solely on a contingent basis.[19]

86. In addition to the Current Refund Obligations, the Debtors have various outstanding obligations on account of the Refund Programs that I am informed are contingent and unknown as of the Petition Date (the "***Future Refund Obligations***"). The nature and scope of the Future Refund Obligations vary among the Debtors depending on a number of factors, including the type of good sold and the Debtors' ability to resell a given item of merchandise that has been returned. In some instances a returned item may simply be exchanged for another good (and/or future credit), thereby not requiring the Debtors to make a cash outlay to a customer. In other circumstances, the Debtors may refund a cash amount to a customer in exchange for receipt of the returned good, with the intention of reselling the returned item. Indeed, I am informed that the Debtors typically sell returned items at an amount above cost, but with a discount of up to 50% of the original sale price. Although it is difficult to state the Debtors' potential cash obligations on account of Future Refund Obligations with specificity, the Debtors estimate that, based on historical trends and taking into account the Debtors' earnings based on their subsequent ability to resell returned goods, Future Refund Obligations total between

[18] I am informed that the Current Refund Obligations also include potential cash reimbursements to the Debtors' credit card servicers on account of amounts that are refunded to customers by the credit card servicer.

[19] I am informed from Debtors' counsel that the relief requested pursuant to the Refunds does not account for any escheatment claims that may exist. Moreover, the Debtors reserve the right to dispute any such escheatment claims at the appropriate time. For the avoidance of doubt, the Debtors are not seeking discretionary authority to honor prepetition claims based on escheatment in the ordinary course of business.

approximately $4 million and approximately $10 million as of the Petition Date.

87. I believe that the ability to continue to provide the Refund Claims to customers is vital to the Debtors' ongoing relationship with their customers. I further believe that without the ability to provide and honor the Refund Claims, many customers would be unwilling to purchase merchandise from the Debtors. Accordingly, the Debtors request the authority to honor the Refund Claims in their discretion and continue to honor the Refund Claims in the ordinary course of business.

iii. Loyalty Programs

88. The Debtors are party to certain "Credit Card Program Agreements" (collectively, the "***Private Label Cards***") with various credit card issuers, under which the Debtors offer a private-label credit card to qualifying customers. The Private Label Cards may be used for the purchase of goods from the Debtors, and cannot be used at any other non-Debtor merchant. I am informed that the Debtors estimate that sales through Private Label Cards constitute approximately 12% to 39% of the annual total sales at the applicable brands. The Private Label Cards reward customers who open an account by providing "points" that can be redeemed for gift cards, free shipping or product discounts (collectively, the "***Loyalty Programs***"). Honoring prepetition obligations on account of the Loyalty Programs is essential for the Debtors to maintain their relationship with existing customers and implement a successful restructuring.

89. I am informed that as of the Petition Date, and based on historical trends, the Debtors estimate that approximately $200,000 in Customer Program Obligations with respect to the Loyalty Programs has accrued and remains outstanding. These obligations are non-cash in nature. The Debtors seek the authority to honor these obligations in their discretion and continue the Loyalty Programs in the ordinary course of business.

90. Furthermore, while the Debtors do not anticipate owing any prepetition

obligations to the issuers of the Private Label Cards, the Debtors request, out of an abundance of caution, the authority (but not the obligation) to honor any prepetition obligations owed to the issuers of the Private Label Cards.

iv. Prepaid Orders

91. I am informed that before the Petition Date, the Debtors received payment in the form of checks, credit card transactions, cash and other forms of compensation orders and services that remain outstanding as of the Petition Date (the "***Prepaid Orders***"). The Debtors' customers fully expect to receive goods that are subject to Prepaid Orders, notwithstanding the commencement of these chapter 11 cases. I believe that any failure by the Debtors to fulfill the Prepaid Orders, including payment of any necessary transaction fees or third-party vendors who may direct-ship to the customer, will result in a loss of customer goodwill and a likely wave of negative public opinion. I am informed that as of the Petition Date, approximately $6.7 million in Customer Program Obligations with respect to the Prepaid Orders has accrued and remains outstanding. These obligations are generally non-cash in nature. The Debtors seek the authority to honor these obligations in their discretion and in the ordinary course of business.

v. Discounts and Promotions

92. As I believe is common practice in the industry and expected by the Debtors' consumers, the Debtors routinely offer the following discounts and promotions: (a) discounts and coupons through mailings, internet promotions, email offers and other formats; (b) gift programs such as "buy one get one free" or "free gift with purchase" offers, "VIP" programs, rewards programs, point cards, free games, sweepstakes, general discounts and complimentary or discounted Gift Cards; and (c) shipping offers, such as free or discounted shipping (collectively, and as discussed herein, the "***Discounts and Promotions***"). I believe that each of the Discounts and Promotions are critical to the Debtors' sales efforts and that the Debtors would lose a

competitive edge if they are unable to honor prepetition commitments on a postpetition basis and continue the Discounts and Promotions.

93. The Discounts and Promotions vary among the Debtors' different businesses in terms of the type and extent of the Debtors' potential prepetition obligations, but generally fall into the three categories described below.

a. Pricing Programs

94. I am informed that as of the Petition Date, certain of the Debtors have outstanding offers, coupons or promotional programs in place with respect to the purchase of certain of the Debtors' goods (collectively, the "***Pricing Programs***"). The Pricing Programs generally include outstanding coupons and discount offers as well as in-store discounts and promotions.

95. Because the Debtors' obligations under the Pricing Programs generally do not arise until the time at which a customer takes advantage of an individual Pricing Program at the time of purchase, the Debtors do not have outstanding prepetition obligations to their customers on account of the Pricing Programs. Additionally, I believe that maintaining the Pricing Programs on a postpetition basis is consistent with the Debtors' typical, ordinary course practice. Out of an abundance of caution, and to provide clarity and comfort to all of their customers, the Debtors request authority to continue the Pricing Programs, in their discretion, consistent with past practice after the Petition Date.

b. Gift Programs

96. Certain of the Debtors periodically offer and, as of the Petition Date, have outstanding obligations with respect to gift programs such as "buy one get one free" or "free gift with purchase" offers, "VIP" programs, rewards programs, sweepstakes, free games, point cards and complimentary or discounted Gift Cards (collectively, the "***Gift Programs***"). I am informed that on average, based on historical trends, the Debtors spend approximately $3 million per

month on Gift Programs. The Gift Programs vary widely across the Debtors' brands and create various types of obligations, some of which I understand remain outstanding as of the Petition Date. Most importantly, certain of the Gift Programs require that the Debtors deliver a gift owed when a customer meets certain specified requirements such that certain gifts remain undelivered (or, in very limited instances, where the Debtors purchase a gift from a third party, are yet to be purchased and delivered) as of the Petition Date. I believe that it is likely that customers will cancel existing orders related to the Gift Programs if the Debtors are unable to honor the Gift Programs. The vast majority of gifts are delivered at the time of the purchase, and therefore, do not remain outstanding as of the Petition Date. I am informed that the Debtors estimate that no more than $250,000 remains outstanding as of the Petition Date with respect to the Gift Programs, the majority of which is non-cash in nature.

c. Shipping Programs

97. The Discounts and Promotions also cover the Debtors' various shipping offers, such as free or discounted shipping (collectively, the "***Shipping Programs***"). The Shipping Programs vary by brand, promotion and season, but I am informed that on average, the Debtors discount approximately $5 million in monthly customer shipping and handling fees pursuant to the Shipping Programs. The Debtors effectively discount their products pursuant to the Shipping Programs to remain competitive in the industry while maintaining a higher product price point. I believe the inability to honor or continue the Shipping Programs would force the Debtors to lower their product prices across the board to maintain their competitive position. On average, the Debtors process and fulfill orders in two to four days before sending merchandise to third-party shippers for delivery. Because the prepetition obligations related to the Shipping Programs are due to third-party shippers at the time of shipping, I am informed that as of the Petition Date approximately $500,000 remains outstanding to third-party shippers on account of prepetition

promises to customers to provide free or discounted shipping with respect to purchased goods, which the Debtors' customers expect will be honored. The Debtors expect to continue the Shipping Programs on a postpetition basis in the ordinary course of business.

vi. Third-Party Services

98. The Debtors also sell services, discounts and rewards (the "***Third-Party Services***") to their customers through certain third-party providers (collectively, the "***Service Providers***"). The Debtors' relationships with the Service Providers are governed by prepetition contracts and, in most instances, the Debtors collect balances from their customers with respect to various goods and services that the Debtors then forward periodically to the Service Provides. The Debtors' customers expect to receive the goods and services promised pursuant to the Third-Party Services. I believe that any failure by the Debtors or the Service Providers to fulfill the Third-Party Services - as will occur if the Debtors are unable to forward customer payments to the Service Providers - will result in a significant loss of goodwill. Importantly, the Debtors serve as a conduit or pass-through for the amounts owed to the Service Providers. I am informed that as of the Petition Date, the Debtors estimate that they have collected approximately $500,000 from customers on account of the Third-Party Services that are owed to the Service Providers. The Debtors request the authority, but not the obligation, to honor these obligations in their discretion and continue offering the Third-Party Services in the ordinary course of business.

E. Debtors' Motion for Entry of Interim and Final Orders Authorizing, but Not Directing, the Debtors to Pay Certain Taxes and Fees

i. The Debtors' Tax Obligations

99. I understand that in the ordinary course of business, the Debtors (a) collect sales Taxes from their customers in the operation of their businesses, (b) incur Fees necessary to operate their businesses, including license Fees, annual reporting Fees and other similar

assessments and (c) remit such Taxes and Fees to various taxing, licensing and other governmental authorities throughout the United States (collectively, the "***Authorities***"). I understand from discussions with counsel that the Debtors pay the Taxes and Fees monthly, quarterly, semi-annually or annually to the respective Authorities, as required by applicable laws and regulations.

100. I believe any delinquency or failure to make timely payments that impacts the Debtors' ability to conduct business in a particular jurisdiction could have a wide-ranging and adverse effect on the Debtors' operations as a whole. The Authorities could initiate audits of the Debtors or prevent the Debtors from operating their businesses, which, even if unsuccessful, would unnecessarily divert the Debtors' attention away from the reorganization process. The Debtors may also incur substantial, irreversible tax penalties from governmental authorities. I am also informed that certain directors and officers might be subject to personal liability which would undoubtedly distract these key employees from their duties related to the Debtors' restructuring.

ii. Sales and Use Taxes

101. The vast majority of the Debtors' products are sold directly to consumers through catalog orders and, as a result, the sales Taxes collected by the Debtors vary from state to state. The Debtors generally remit these sales Taxes monthly to the Authorities (around the 15th-20th of each month). I am informed that the majority of the Debtors' sales and use Taxes accrue on a regular schedule.

102. I am informed that the Debtors incur the bulk of their sales and use Taxes in California, Florida, Georgia, New Jersey, Pennsylvania, Texas and Virginia. Although the Debtors believe they are current with respect to sales and use Taxes, I understand that the Debtors estimate that approximately $750,000 of sales and use Taxes have accrued prepetition

and are due within the first 21 days after the Petition Date. If the Debtors do not pay the prepetition sales and use Taxes to the applicable Authorities when due, I understand from discussions with counsel that these Authorities will assess immediate, irreversible penalties for failure to make a timely payment, which, pursuant to section 507(a)(8)(G) of the Bankruptcy Code, may be entitled to priority treatment in these chapter 11 cases.

iii. Franchise Taxes and Other Similar Taxes

103. The Debtors also pay franchise and other similar Taxes to certain Authorities to operate their businesses in numerous states. The Debtors incur the bulk of these Taxes in California, Georgia, Massachusetts and Pennsylvania and Texas. I am informed that on an annual basis, the Debtors remit approximately $150,000 in franchise and other similar Taxes for their businesses. The Debtors' franchise and similar Taxes are due at different times during 2010 and 2011. Although I understand that the Debtors believe they are current with respect to payment of franchise and other similar Taxes and no franchise and other similar Taxes are due and owing within the first 21 days of these chapter 11 cases, the Debtors have included this description out of an abundance of caution.

iv. Personal Property and Real Estate Taxes

104. Authorities impose Taxes on the Debtors relating to property that the Debtors own for the operation of their businesses. I am informed that as of the Petition Date, the Debtors estimate that all of their personal property and real estate Taxes have been paid.

v. Business License and United States Customs Fees

105. State and local laws require the Debtors to pay Fees to obtain a wide range of business licenses from a number of Authorities. The method for calculating amounts due for such licenses and the deadlines for paying such amounts varies by jurisdiction. Further, certain states require the Debtors to (a) pay annual reporting Fees to state governments to remain in

good standing for purposes of conducting business within the state and (b) pay various business Taxes or Fees based on gross receipts or other bases, as determined by the taxing jurisdiction. Additionally, I am informed that the Debtors estimate they pay, on a monthly basis, approximately $1.5 million for United States customs fees. As of the Petition Date, I am informed that the Debtors estimate approximately $750,000 in Fees accrued and remain unpaid for the prepetition period. I am informed by Debtors' counsel that the Debtors' failure to pay the prepetition Fees when due may result in the imposition of penalties by the applicable Authorities and potential revocation of the Debtors' business licenses or permits.

F. Debtors' Motion for Entry of Interim and Final Orders Authorizing, but Not Directing, the Debtors to (A) Continue Prepetition Insurance Coverage and (B) Maintain Financing of Insurance Premiums

106. In the ordinary course of business, the Debtors maintain a number of Insurance Policies. The Insurance Policies provide coverage for errors and omissions, crime, kidnap and ransom, fiduciary liability, commercial automobile, marine, property, general liability, commercial umbrella liability, commercial excess liability and foreign liability. I believe that the Insurance Policies are essential to the preservation of the value of the Debtors' businesses, properties and assets. In many cases, coverage provided by the Insurance Policies is required by the regulations, laws and contracts that govern the Debtors' commercial activities.

The Debtors generally are current on amounts owed to maintain the Insurance Policies. Certain amounts owed in connection with the Insurance Policies, however, are paid in arrears or have otherwise accrued before the Petition Date and have not yet been paid. As of the Petition Date, I am informed that the Debtors estimate that a total of approximately $258,600 in prepetition amounts are outstanding under the Insurance Policies. Additionally, other payments may come due in the future that relate to Insurance Policy obligations incurred prepetition.

i. Self-Paid Insurance Policies

107. The Debtors maintain several Insurance Policies for which the Debtors pay the insurer directly, either through an up-front sum or periodic payments (collectively, the "***Self-Paid Insurance Policies***"). The Self-Paid Insurance Policies include policies covering losses with respect to errors and omissions, crime, kidnap and ransom, fiduciary liability and commercial automobile liability. I am informed that the Debtors have paid in full the annual premiums for all of the Self-Paid Insurance Policies.

ii. Financed Insurance Policies

108. Certain of the Debtors' insurance policies require payment of the entire premium at inception. Because it is not always economically advantageous for the Debtors to pay premiums in full up front, the Debtors have financed the premiums for these policies (collectively, the "***Financed Insurance Policies***") under the Financing Agreements with PAC and PFS. The Financed Insurance Policies benefit the Debtors by spreading out the cost of the Insurance Policies over the applicable coverage period. The Financed Insurance Policies include marine, property, general liability, commercial umbrella liability, commercial excess liability, foreign liability and broker's commissions. I am informed that as of the Petition Date, the Debtors owe a total of approximately $258,600 on account of the Financing Agreements. I am informed that approximately $152,000 will come due on account of the Financed Insured Policies within the first 21 days of these chapter 11 cases.

a. <u>PAC Financing Agreement</u>

109. Under the Financing Agreement with Premium Assignment Corporation ("***PAC***"), the Debtors finance the marine and property policies as well as the commission due to their broker, AON. The total amount subject to financing is $695,230. The Debtors made a down payment of $174,183 in June 2010, and the remaining $521,047 was financed over a ten-month

period at $52,845 per month. To date, I am informed that the Debtors have made seven payments and have approximately $158,500 outstanding.

b. The PFS Financing Agreement

110. Under the Financing Agreement with Premium Financing Specialists, Inc. ("***PFS***"), the Debtors finance the general liability, commercial umbrella liability, commercial excess liability and foreign liability policies. I am informed that the total amount subject to financing is $1,043,042. I am further informed that the Debtors made a down payment of $260,758 in June 2010, and the remaining $782,284 was financed over an eight-month period at $99,128 per month. To date, the Debtors have made seven payments and have approximately $99,000 outstanding as of the Petition Date.

G. Debtors' Motion for Entry of Interim and Final Orders Determining Adequate Assurance of Payment for Future Utility Services

111. In the ordinary course of business, the Debtors obtain gas, water, sewer, electric, telephone and other similar utility services from various Utility Providers. Approximately 100 Utility Providers render these services to the Debtors. On average, the Debtors spend a total of approximately $300,000 every two weeks for utility services.

112. I believe that uninterrupted utility services are essential to the Debtors' ongoing operations and, therefore, to the success of their reorganization. I further believe that any interruption in utility services, even for a brief period of time, would negatively affect the Debtors' operations, customer relationships, revenues and profits, thereby seriously jeopardizing the Debtors' reorganization efforts and, ultimately, value and creditor recoveries. Thus, it is critical that utility services continue uninterrupted during these chapter 11 cases.

PROFESSIONAL RETENTION AND COMPENSATION MOTIONS

A. Debtors' Application for Entry of an Order Authorizing the Employment and Retention of Kurtzman Carson Consultants LLC as Notice, Claims and Balloting Agent

113. The Debtors believe that they may have more than 30,000 potential creditors. To alleviate the heavy administrative burden on the clerk of the court, the Debtors seek to retain Kurtzman Carson Consultants LLC ("***KCC***") as notice, claims and balloting agent in these chapter 11 cases. KKC has substantial experience in matters of this size and complexity and has acted as the official notice, claims and balloting agent in many large bankruptcy cases.

B. Debtors' Application for Entry of an Order Authorizing the Employment and Retention of Kirkland & Ellis LLP as Attorneys for the Debtors *Nunc Pro Tunc* to the Petition Date

114. The Debtors will seek to retain Kirkland and Ellis LLP ("***K&E***") as their attorneys. K&E has extensive expertise in the field of debtors' protections and creditors' rights, and business reorganizations under chapter 11 of the Bankruptcy Code. Moreover, K&E is extremely familiar with the Debtors' businesses and management team, having represented the Debtors in restructuring matters since July 2010.

C. Debtors' Application for Entry of an Order Authorizing the Employment and Retention of Klehr Harrison Harvey Branzburg LLP as Co-Counsel to the Debtors *Nunc Pro Tunc* to the Petition Date

115. The Debtors will seek to retain Klehr Harrison Harvey Branzburg LLP ("***Klehr Harrison***") as the Debtors' co-counsel in these chapter 11 cases. Klehr Harrison has extensive experience and knowledge in the field of debtors' and creditors' rights and business reorganizations under chapter 11 of the Bankruptcy Code.

D. Debtors' Application for Entry of an Order Authorizing the Employment and Retention of Alvarez & Marsal North America, LLC as Restructuring Advisor to the Debtors *Nunc Pro Tunc* to the Petition Date

116. The Debtors will seek to retain Alvarez & Marsal North America, LLC ("***A&M***") as the Debtors' Restructuring Advisor in these chapter 11 cases. A&M is a preeminent restructuring consulting firm with extensive experience and an excellent reputation for providing high quality, specialized management and restructuring advisory services to debtors and distressed companies. Specifically, A&M's core services include turnaround advisory services, interim and crisis management, revenue enhancement, claims management and creditor and risk management advisory services.

E. Debtors' Application for Entry of an Order Authorizing the Employment and Retention of Moelis & Company LLC as Financial Advisor and Capital Markets Advisor to the Debtors *Nunc Pro Tunc* to the Petition Date

117. The Debtors will seek to retain Moelis & Company LLC ("***Moelis***") as the Debtors' financial and capital markets advisor. Moelis provides a broad range of corporate advice to its clients, including, with respect to: (a) general corporate finance; (b) mergers, acquisitions and divestitures; (c) corporate restructurings; (d) special committee assignments; and (e) capital raising. Moelis and its senior professionals have extensive experience in the reorganization and restructuring of distressed companies, both out-of-court and in chapter 11 proceedings.

F. Debtors' Motion for Entry of an Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business

118. After the commencement of these chapter 11 cases, the Debtors intend to file the *Debtors' Motion for Entry of an Order Authorizing the Retention and Compensation of Certain Professionals Utilized in the Ordinary Course of Business*. In the ordinary course of their businesses, the Debtors utilize various professionals and service providers in a variety of matters

unrelated to these chapter 11 cases. The Debtors will seek authority to retain and compensate certain of these professionals and service providers without the need for such professionals and service providers to file a formal application for retention and compensation.

G. Debtors' Motion for Entry of an Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals

119. After the commencement of these chapter 11 cases, the Debtors intend to file the *Debtors' Motion for Entry of an Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Retained Professionals*. It is my understanding that establishing procedures for payment of professionals retained in these chapter 11 cases (collectively, the "***Professionals")*** will streamline the administration of these chapter 11 cases by facilitating efficient review of the Professionals' fees and expenses.

Exhibit C

Debtors' Organizational Structure

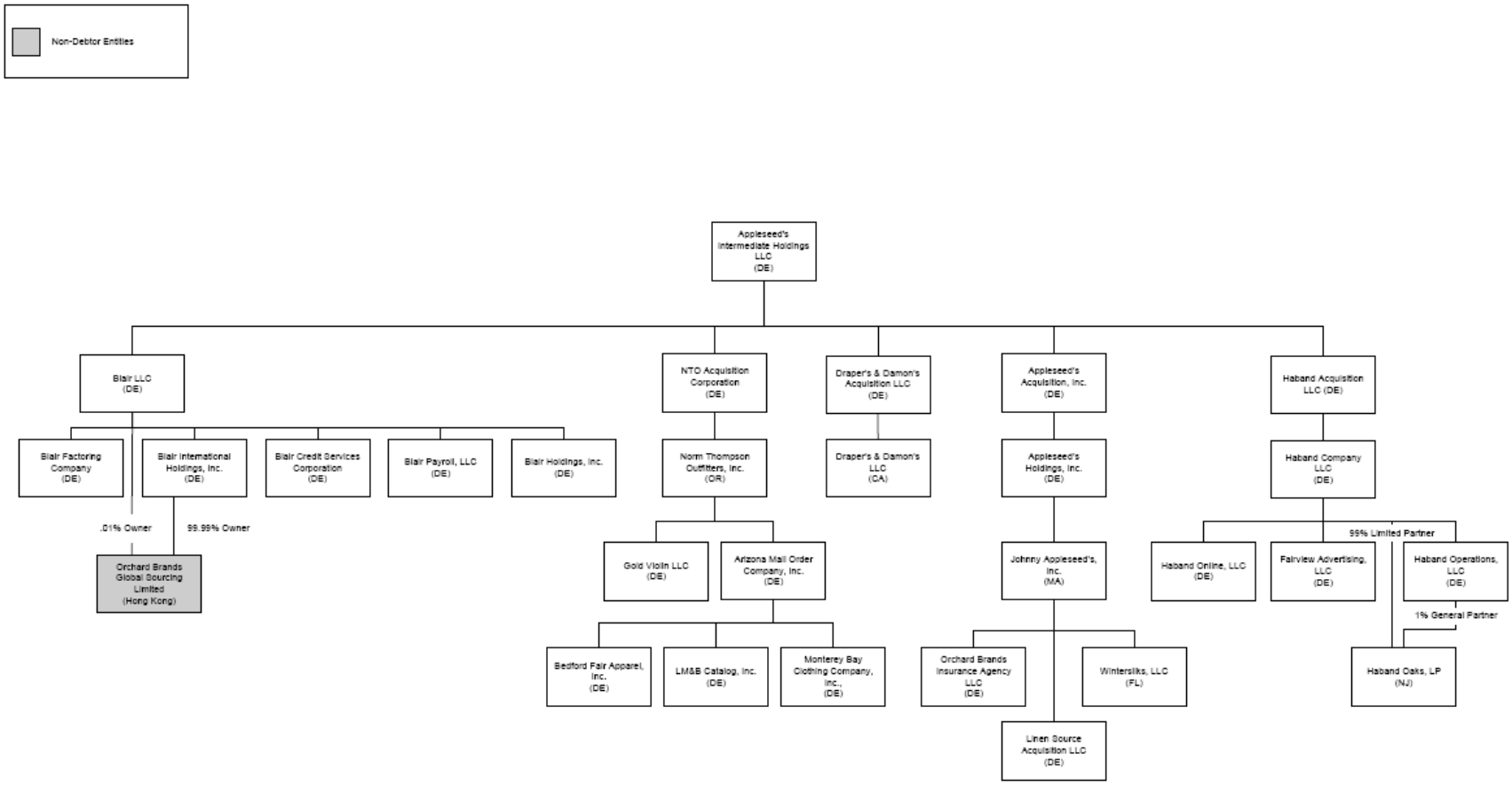

Exhibit D

13-Week DIP Budget

Appleseed's Intermediate Holdings LLC, *et al*
Weekly Cash Flow Forecast

(in $000s)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Fiscal Month:	Jan 11	Feb11	Feb11	Feb11	Feb11	Mar11	Mar11	Mar11	Mar11	Mar11	Apr11	Apr11	Apr11
Fiscal Week:	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16
Week Ended:	**1/21**	**1/28**	**2/4**	**2/11**	**2/18**	**2/25**	**3/4**	**3/11**	**3/18**	**3/25**	**4/1**	**4/8**	**4/15**
Total Cash Receipts	**$ 16,734.1**	**$ 15,034.6**	**$ 9,265.9**	**$ 13,051.1**	**$ 19,161.8**	**$ 18,215.3**	**$ 14,932.3**	**$ 17,788.9**	**$ 20,219.1**	**$ 30,883.5**	**$ 20,469.6**	**$ 16,820.2**	**$ 19,678.1**
LY Cash Receipts	17,567.4	19,967.6	15,654.2	20,801.6	17,547.7	21,645.5	17,009.6	28,807.2	23,332.7	30,019.3	23,221.2	19,691.3	26,082.0
% Change - TY vs. LY	***-4.7%***	***-24.7%***	***-40.8%***	***-37.3%***	***9.2%***	***-15.8%***	***-12.2%***	***-38.2%***	***-13.3%***	***2.9%***	***-11.8%***	***-14.6%***	***-24.6%***
Operating Disbursements:													
Postage	1,445.9	2,161.8	2,750.2	2,267.1	1,769.6	1,776.8	2,761.6	3,324.3	2,583.2	1,833.8	2,901.2	2,940.5	1,739.7
Payroll and Payroll Taxes	-	4,223.8	1,285.6	4,163.8	1,252.0	4,080.1	1,324.0	4,144.9	1,319.5	4,142.9	1,327.3	4,948.6	2,365.0
Customs / Duty	304.0	118.6	708.9	118.6	276.5	1,152.8	91.6	117.3	117.3	1,335.2	118.9	128.5	138.0
Tax Payments	506.0	-	5.0	-	490.5	20.0	6.0	-	35.0	771.1	-	5.0	-
Health Insurance	741.0	341.0	341.0	341.0	741.0	341.0	341.0	341.0	341.0	741.0	341.0	341.0	341.0
Rent / Utilities	325.4	971.6	1,820.6	96.6	96.6	1,347.6	193.1	119.1	119.1	645.1	871.9	97.9	97.9
Freight / Logistics / Transportation	4,965.3	1,084.7	1,173.1	974.9	1,530.8	998.4	1,115.1	1,302.7	1,312.2	1,690.6	1,114.7	1,310.7	1,430.9
Advertising	1,879.3	1,526.5	1,632.4	1,184.3	1,459.4	1,443.4	1,768.5	1,034.0	1,348.1	1,423.3	2,642.3	2,465.7	2,070.4
Merchandise	2,953.1	5,060.1	9,324.1	8,242.2	7,422.1	5,397.3	7,279.6	3,600.0	4,654.8	3,310.4	5,165.6	5,297.2	4,170.3
Other	2,059.6	1,840.1	4,482.7	4,494.8	4,626.4	2,931.5	4,853.1	2,400.0	3,103.2	2,392.9	4,777.1	4,198.1	2,780.2
Total Operating Disbursements	**15,179.7**	**17,328.3**	**23,523.7**	**21,883.3**	**19,664.9**	**19,489.0**	**19,733.6**	**16,383.3**	**14,933.3**	**18,286.4**	**19,260.1**	**21,733.3**	**15,133.3**
Restructuring Disbursements:													
DIP Interest / Fees	1,200.0	169.3	-	-	-	544.6	-	-	-	-	724.9	-	-
Professional Fees	2,140.0	-	-	780.0	1,325.0	-	200.0	1,520.0	-	1,806.3	-	-	1,050.0
Total Restructuring Disbursements	**3,340.0**	**169.3**	**-**	**780.0**	**1,325.0**	**544.6**	**200.0**	**1,520.0**	**-**	**1,806.3**	**724.9**	**-**	**1,050.0**
Total Disbursements	**18,519.7**	**17,497.6**	**23,523.7**	**22,663.3**	**20,989.9**	**20,033.6**	**19,933.6**	**17,903.3**	**14,933.3**	**20,092.6**	**19,985.0**	**21,733.3**	**16,183.3**
Total Net Cash Flow (Book Basis)	**$ (1,785.6)**	**$ (2,463.0)**	**$ (14,257.8)**	**$ (9,612.2)**	**$ (1,828.1)**	**$ (1,818.3)**	**$ (5,001.3)**	**$ (114.4)**	**$ 5,285.8**	**$ 10,790.9**	**$ 484.6**	**$ (4,913.1)**	**$ 3,494.8**

Note:
[1] All estate professional fees referred to in the budget shall be subject the Bankruptcy Court's retention approval and fee application process, and as to which all lenders reserve their rights to object.

Exhibit C

Disclosure Statement Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested
	)	**Related to Docket No.**

ORDER (A) APPROVING THE DISCLOSURE STATEMENT; (B) APPROVING SOLICITATION PACKAGES AND PROCEDURES FOR THE DISTRIBUTION THEREOF; (C) APPROVING THE FORMS OF BALLOTS AND MANNER OF NOTICE; (D) APPROVING THE VOTING RECORD DATE, SOLICITATION DEADLINE AND VOTING DEADLINE; AND (E) ESTABLISHING NOTICE AND OBJECTION PROCEDURES FOR CONFIRMATION OF THE PLAN

Upon the motion (the "***Motion***")[2] of the Debtors for entry of an order (this "***Order***") pursuant to sections 105(a), 502, 1123(a), 1124, 1125, 1126 and 1128 of the Bankruptcy Code, Bankruptcy Rules 2002, 3003, 3016, 3017, 3018 and 3020 and Local Rules 2002-1 and 3017-1 for entry of an order (a) approving the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of*

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

[2] Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion.

the Bankruptcy Code (the "***Disclosure Statement***"); (b) approving the Disclosure Statement Hearing Notice; (c) approving the manner and form of the Solicitation Packages and the materials contained therein; (d) approving the Voting Record Date, Solicitation Deadline and Voting Deadline; (e) approving the Voting and Tabulation Procedures; and (f) approving the timeline and procedures for filing objections to the Plan and confirming the Plan, all as more fully described in the Motion; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion being adequate and appropriate under the particular circumstances; and a hearing having been held to consider the relief requested in the Motion (the "***Hearing***"); and upon consideration of the record of the Hearing and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors and other parties in interest, and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and any objections to the requested relief having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Motion is granted to the extent provided herein.

A. Approval of the Disclosure Statement

2. The Disclosure Statement is hereby approved pursuant to section 1125 of the Bankruptcy Code, as providing Holders of Claims entitled to vote on the Plan with adequate information to make an informed decision as to whether to vote to accept or reject the Plan in accordance with section 1125(a)(1) of the Bankruptcy Code.

3. The Disclosure Statement (including all applicable exhibits thereto) provides Holders of Claims, Holders of Interests and other parties in interest with sufficient notice of the injunction, exculpation and release provisions contained in Article VIII of the Plan, in satisfaction of the requirements of Bankruptcy Rule 3016(c).

B. Approval of the Disclosure Statement Hearing Notice

4. The Disclosure Statement Hearing Notice, the form of which is attached hereto as **Exhibit 1** and incorporated herein by reference, filed by the Debtors and served upon parties in interest in these chapter 11 cases on _____, 2011, constitutes adequate and sufficient notice of the hearings to consider approval of the Disclosure Statement, the manner in which a copy of the Disclosure Statement (and exhibits thereto, including the Plan) could be obtained and the time fixed for filing objections thereto, in satisfaction of the requirements of the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules.

C. Approval of the Materials and Timeline for Soliciting Votes

i. Approval of the Form of, and Distribution of, Solicitation Packages to Parties Entitled to Vote on the Plan

5. In addition to the Disclosure Statement and exhibits thereto, including the Plan and this Order, the Solicitation Packages to be transmitted on or before the Solicitation Deadline to those Holders of Claims in the Voting Classes entitled to vote on the Plan as of the Voting Record Date, shall include the following, the form of each of which is hereby approved:

a. an appropriate form of Ballot attached hereto as **Exhibits 2A-2D**, respectively, and incorporated herein by reference;[3]

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[3] The Debtors will make every reasonable effort to ensure that any Holder of a Claim who has filed duplicate Claims against the Debtors (whether against the same or multiple Debtors) that are classified under the Plan in the same Voting Class, receives no more than one Solicitation Package (and, therefore, one Ballot) on account of such Claim and with respect to that Class.

b. the Cover Letter attached hereto as **Exhibit 3** and incorporated herein by reference; and

c. the Confirmation Hearing Notice attached hereto as **Exhibit 4** and incorporated herein by reference.

6. The Solicitation Packages provide the Holders of Claims entitled to vote on the Plan with adequate information to make informed decisions with respect to voting on the Plan in accordance with Bankruptcy Rules 2002(b) and 3017(d), the Bankruptcy Code and the Local Rules.

7. The Debtors shall distribute Solicitation Packages to all Holders of Claims entitled to vote on the Plan on or before the Solicitation Deadline. Such service shall satisfy the requirements of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules.

8. The Debtors are authorized, but not directed or required, to distribute the Plan, the Disclosure Statement and this Order to Holders of Claims entitled to vote on the Plan in CD-ROM format. The Ballots as well as the Cover Letter and the Confirmation Hearing Notice will *only* be provided in paper form. On or before the Solicitation Deadline, the Debtors shall provide (a) complete Solicitation Packages to the U.S. Trustee and counsel to the Administrative Agents and (b) the Order (in CD-ROM format) and the Confirmation Hearing Notice to all parties on the 2002 List as of the Voting Record Date.

9. Any party who receives a CD-ROM, but who would prefer to receive materials in paper format, may contact the Voting and Claims Agent and request paper copies of the corresponding materials previously received in CD-ROM format (to be provided at the Debtors' expense).

10. The Voting and Claims Agent is authorized to assist the Debtors in (a) distributing the Solicitation Package, (b) receiving, tabulating and reporting on Ballots cast to accept or reject the Plan by Holders of Claims against the Debtors, (c) responding to inquiries

from Holders of Claims and Interests and other parties in interest relating to the Disclosure Statement, the Plan, the Ballots, the Solicitation Packages and all other related documents and matters related thereto, including the procedures and requirements for voting to accept or reject the Plan and for objecting to the Plan, (d) soliciting votes on the Plan and (e) if necessary, contacting creditors regarding the Plan or as soon as practicable thereafter.

ii. Approval of Notice of Filing of the Plan Supplement

11. The Debtors are authorized to send notice of the filing of the Plan Supplement, substantially in the form attached hereto as **Exhibit 5** and incorporated herein by reference, on the date the Plan Supplement is filed pursuant to the terms of the Plan.

iii. Approval of the Form of Notices to Non-Voting Classes

12. Except to the extent the Debtors determine otherwise, the Debtors are not required to provide Solicitation Packages to Holders of Claims or Interests in Non-Voting Classes, as such Holders are not entitled to vote on the Plan. Instead, on or before the Solicitation Deadline, the Voting and Claims Agent shall mail (first-class postage prepaid) a Non-Voting Status Notice in lieu of Solicitation Packages, the form of each of which is hereby approved, to those parties, outlined below, who are not entitled to vote on the Plan:

a. *Not Impaired Claims – Conclusively Presumed to Accept*: Holders of Claims in Classes 1A, 2 and 3 are not Impaired under the Plan and, therefore, are conclusively presumed to have accepted the Plan. As such, Holders of such Claims will receive a notice, substantially in the form annexed as **Exhibit 6** attached hereto and incorporated herein by reference, in lieu of a Solicitation Package.

b. *Impaired Claims and Equity Interests – Deemed to Reject*: Holders of Claims and Interests in Classes 6B, 7 and 10 are receiving no distribution under the Plan and, therefore, are deemed to reject the Plan and will receive a notice, substantially in the form annexed as **Exhibit 7** attached hereto and incorporated herein by reference, in lieu of a Solicitation Package.

13. The Debtors will not provide the Holders of Class 8 Intercompany Claims or Class 9 Intercompany Interests with a Solicitation Package or any other type of notice in connection with solicitation.

14. The Debtors are not required to mail Solicitation Packages or other solicitation materials to: (a) Holders of Claims that have already been paid in full during these chapter 11 cases or that are authorized to be paid in full in the ordinary course of business pursuant to an order previously entered by this Court or (b) any party to whom the Disclosure Statement Hearing Notice was sent but was subsequently returned as undeliverable.

iv. Approval of Notices to Contract and Lease Counterparties

15. The Debtors are authorized to mail a notice of assumption or rejection of any Executory Contracts or Unexpired Leases (and any corresponding Cure Claims), in the forms attached hereto as **Exhibit 8** and **Exhibit 9** and incorporated herein by reference, to the applicable counterparties to Executory Contracts and Unexpired Leases that will be assumed or rejected pursuant to the Plan (as the case may be), within the time periods specified in the Plan.

v. Approval of Key Dates and Deadlines with Respect to the Plan and Disclosure Statement.

16. The following dates are hereby established (subject to modification as necessary) with respect to the solicitation of votes to accept, and voting on, the Plan:

a. **_____, 2011** shall be the date for determining: (i) the Holders of Claims entitled to receive Solicitation Packages; (ii) the Holders of Claims entitled to vote to accept or reject the Plan; and (iii) whether Claims have been properly transferred to an assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote as the Holder of such Claim (the "***Voting Record Date***");

b. the Debtors shall distribute Solicitation Packages to Holders of Claims entitled to vote on the Plan by **_____, 2011** (the "***Solicitation Deadline***"); and

c. all Holders of Claims entitled to vote on the Plan must complete, execute and return their Ballots so that they are **actually received** by the Voting and Claims Agent or the Securities Voting Agent, as applicable, pursuant to the Voting and Tabulation Procedures, on or before _____, **2011 at 4:00 p.m. prevailing Eastern Time** (the "***Voting Deadline***").

D. Approval of the Voting and Tabulation Procedures

17. The Debtors are authorized to solicit, receive and tabulate votes to accept the Plan in accordance with the Voting and Tabulation Procedures attached hereto as **Exhibit 10** and incorporated herein by reference, which are hereby approved in their entirety.

E. Approval of Procedures for Confirming the Plan

i. Approval of the Timeline for Filing Objections to the Plan and Confirming the Plan

18. The following dates are hereby established (subject to modification as needed) with respect to filing objections to the Plan and confirming the Plan:

a. **_____, 2011 at 4:00 p.m. prevailing Eastern Time** shall be date by which objections to the Plan must be filed with the Court and served so as to be **actually received** by the appropriate notice parties (as identified below) (the "***Plan Objection Deadline***"); and

b. the Court shall consider Confirmation of the Plan at the hearing to be held on **_____, 2011 at : prevailing Eastern Time** (the "***Confirmation Hearing Date***").

19. The Debtors shall publish the Confirmation Hearing Notice (in a format modified for publication) one time within seven business days following the Solicitation Deadline in the national edition of *The Wall Street Journal*.

ii. Approval of the Procedures for Filing Objections to the Plan

20. Objections to the Plan will not be considered by the Court unless such objections are timely filed and properly served in accordance with this Order. Specifically, all objections to

confirmation of the Plan or requests for modifications to the Plan, if any, **must**: (a) be in writing; (b) conform to the Bankruptcy Rules and the Local Rules; (c) state, with particularity, the legal and factual basis for the objection and, if practicable, a proposed modification to the Plan (or related materials) that would resolve such objection; and (d) be filed with the Court (contemporaneously with a proof of service) and served upon the following parties so to be **actually received** on or before the _____, **2011 at 4:00 p.m. prevailing Eastern Time**:

KIRKLAND & ELLIS LLP Attn: Joshua A. Sussberg, Esq. Attn: Brian E. Schartz, Esq. 601 Lexington Avenue New York, New York 10022-4611		**KLEHR HARRISON HARVEY BRANZBUR LLP** Attn: Domenic E. Pacitti, Esq. Attn: Michael Yurkewicz, Esq. Attn: Margaret M. Manning, Esq. 919 Market Street, Suite 1000 Wilmington, Delaware 19801-3062
Counsel to the Debtors		
WINSTON & STRAWN LLP Attn: William D. Brewer, Esq. 200 Park Avenue New York, New York 10166	**SIDLEY AUSTIN LLP** Attn: James P. Seery, Jr., Esq. 787 Seventh Avenue New York, New York 10019	**KRAMER LEVIN NAFTALIS AND FRANKEL LLP** Attn: Douglas Mannal, Esq. 1177 Avenue of the Americas New York, New York 10036
Counsel to the ABL Agent	*Counsel to the First Lien Agent*	*Counsel to the Second Lien Agent*
THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE Attn: Richard Schepacarter, Esq. 844 King Street, Suite 2207 Wilmington, Delaware 19801		
[_____] Attn: [_____] Attn: [_____] [_____] [_____] *Counsel to the Statutory Committee of Unsecured Creditors*		

21. Nothing in this Order shall be construed as a waiver of the right of the Debtors or any other party in interest, as applicable, to object to a proof of claim after the Voting Record Date.

22. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

23. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

24. The Court retains jurisdiction with respect to all matters arising from or related to the interpretation or implementation of this Order.

Date: _____, 2011
Wilmington, Delaware

_____
United States Bankruptcy Judge

Exhibit 1

Disclosure Statement Hearing Notice

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

NOTICE OF DISCLOSURE STATEMENT HEARING

PLEASE TAKE NOTICE THAT on _____, 2011, Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and its affiliated debtors and debtors in possession (collectively, the "***Debtors***"), filed the (i) *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code*, (as modified, amended or supplemented from time to time, the "***Plan***")[2] and the (ii) *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Disclosure Statement***").

PLEASE TAKE FURTHER NOTICE THAT a hearing (the "***Disclosure Statement Hearing***") will held before the Honorable _____, United States Bankruptcy Judge, on _____, 2011 at __:__, in the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Third Floor, Wilmington, Delaware 19801, (the "***Court***"), to consider the entry of an order approving, among other things, (a) the Disclosure Statement as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (b) the solicitation

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

[2] Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan.

materials and documents to be included in the solicitation packages (the "***Solicitation Packages***"); (c) procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan; and (d) _____, 2011 as the Voting Record Date for determining (i) the Holders of Claims entitled to receive the solicitation materials and documents to be included in the Solicitation Packages, (ii) the Holders of Claims entitled to vote to accept or reject the Plan and (iii) whether Claims have been properly transferred to an assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote as the Holder of such Claim. Please be advised that the Disclosure Statement Hearing may be continued from time to time by the Court or the Debtors without further notice other than by such adjournment being announced in open court or by a notice of adjournment filed with the Court and served on the list of parties entitled to notice.

PLEASE TAKE FURTHER NOTICE THAT if you would like to obtain a copy of the Disclosure Statement, the Plan or related documents, you should contact Kurtzman Carson Consultants LLC, the voting and claims agent retained by the Debtors in these Chapter 11 Cases, by: (a) calling the Debtors' restructuring hotline at 855-927-7081 (international 310-751-2653); (b) visiting the Debtors' restructuring website at: www.kccllc.net/appleseeds; (c) e-mailing the Debtors at AppleseedsInfo@kccllc.com and/or (d) writing to Appleseed's Intermediate Holdings LLC, c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at: http://www.deb.uscourts.gov.

PLEASE TAKE FURTHER NOTICE THAT the deadline for filing objections to the Disclosure Statement is _____, **2011 at 4:00 p.m. prevailing Eastern Time**. Any objections to the relief sought at the Disclosure Statement Hearing **must**: (a) be made in writing; (b) conform to the Bankruptcy Rules, the Local Rules and any orders of the Court; (c) state with particularity the legal and factual basis for the objection and if practicable, a proposed modification to the Disclosure Statement (or related materials) that would resolve such objection; and (d) be filed with the Court (contemporaneously with a proof of service) and served upon the following parties so as to be **actually received** on or before _____, **2011 at 4:00 p.m. prevailing Eastern Time**:

KIRKLAND & ELLIS LLP Attn: Joshua A. Sussberg, Esq. Attn: Brian E. Schartz, Esq. 601 Lexington Avenue New York, New York 10022-4611		**KLEHR HARRISON HARVEY BRANZBUR LLP** Attn: Domenic E. Pacitti, Esq. Attn: Michael Yurkewicz, Esq. Attn: Margaret M. Manning, Esq. 919 Market Street, Suite 1000 Wilmington, Delaware 19801-3062
	Counsel to the Debtors	
WINSTON & STRAWN LLP Attn: William D. Brewer, Esq. 200 Park Avenue New York, New York 10166	**SIDLEY AUSTIN LLP** Attn: James P. Seery, Jr., Esq. 787 Seventh Avenue New York, New York 10019	**KRAMER LEVIN NAFTALIS AND FRANKEL LLP** Attn: Douglas Mannal, Esq. 1177 Avenue of the Americas New York, New York 10036
Counsel to the ABL Agent	***Counsel to the First Lien Agent***	***Counsel to the Second Lien Agent***

THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE Attn: Richard Schepacarter, Esq. 844 King Street, Suite 2207 Wilmington, Delaware 19801
[_____] Attn: [_____] Attn: [_____] [_____] [_____] ***Counsel to the Statutory Committee of Unsecured Creditors***

Dated: _____, 2011
Wilmington, Delaware

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Margaret M. Manning (DE Bar No. 4183)
KLEHR HARRISON HARVEY BRANZBURG LLP
919 N. Market Street, Suite 1000
Wilmington, Delaware 19801-3062
Telephone: (302) 426-1189
Facsimile: (302) 426-9193

- and -

Richard M. Cieri (*pro hac vice* admission pending)
Joshua A. Sussberg (*pro hac vice* admission pending)
Brian E. Schartz (*pro hac vice* admission pending)
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022–4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Proposed Co-Counsel to the Debtors and Debtors in Possession

Exhibit 2A

Proposed Class 1B Ballot
(with respect to Holders of DIP Facility Tranche B Claims)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

CLASS 1B BALLOT FOR ACCEPTING OR REJECTING THE JOINT PLAN OF REORGANIZATION OF APPLESEED'S INTERMEDIATE HOLDINGS LLC AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

CLASS 1B—DIP FACILITY TRANCHE B CLAIMS

PLEASE READ AND FOLLOW THE ENCLOSED INSTRUCTIONS FOR COMPLETING BALLOTS CAREFULLY BEFORE COMPLETING THIS BALLOT.

YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT BY 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2011, THE VOTING DEADLINE, OR YOUR VOTE WILL NOT BE COUNTED.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

BALLOT CODE [__]

This ballot (the "***Ballot***") is submitted to you by Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and each of its affiliated debtors and debtors in possession (collectively, the "***Debtors***") to solicit your vote to accept or reject the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Plan***"), which is described in the accompanying *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***").

The Plan constitutes a separate chapter 11 plan of reorganization for each of the 28 Debtors and the classifications set forth in the Plan shall be deemed to apply to each of the Debtors unless otherwise provided in the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined herein shall have the meaning ascribed to them in Plan.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the Holders of at least two-thirds in amount and more than one-half in number of the Claims in each Impaired Class who vote on the Plan and if the Plan otherwise satisfies the applicable requirements of section 1129(a) of the Bankruptcy Code. If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (a) provides fair and equitable treatment to, and does not unfairly discriminate against, each Class or Classes rejecting the Plan and (b) otherwise satisfies the requirements of section 1129(b) of the Bankruptcy Code.

TO HAVE YOUR VOTE COUNTED, YOU MUST COMPLETE, SIGN AND RETURN THIS BALLOT IN THE ENVELOPE PROVIDED SO THAT IT IS ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT ON OR BEFORE 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2011.

PLEASE BE ADVISED THAT THE PLAN CONTAINS CERTAIN RELEASE, EXCULPATION AND INJUNCTION PROVISIONS. THESE PROVISIONS ARE FOUND IN **ARTICLE VIII** OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

IMPORTANT

You should review the Disclosure Statement and the Plan and the instructions contained herein before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your Claim or Claims under the Plan. Your Claim has been placed in Class 1B—DIP Facility Tranche B Claims under the Plan. If you hold Claims in more than one Class, you will receive a separate Ballot for each Class in which you are entitled to vote.

If your vote is not received by the Voting and Claims Agent, Kurtzman Carson Consultants LLC, on or before the Voting Deadline and the deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan. Ballots should be mailed to the following address:

APPLESEEDS BALLOT PROCESSING
C/O KURTZMAN CARSON CONSULTANTS LLC
VOTING AND CLAIMS AGENT FOR APPLESEED'S INTERMEDIATE HOLDINGS LLC, ET AL.
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011.

Ballots will not be accepted by facsimile transmission or electronic mail.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Plan.

HOW TO VOTE

1. MAKE SURE THE INFORMATION CONTAINED IN ITEM 1 IS CORRECT.

2. VOTE TO ACCEPT OR REJECT THE PLAN IN ITEM 2. EACH OF THE DEBTORS IS SOLICITING VOTES ON THE PLAN ATTACHED AS **EXHIBIT A** TO THE DISCLOSURE STATEMENT. TO THIS END, HOLDERS OF CLASS 1B—DIP FACILITY TRANCHE B CLAIMS MAY CHOOSE TO ACCEPT OR REJECT THE CHAPTER 11 PLAN, AS INDICATED IN **ITEM 2** OF THE BALLOT.

3. REVIEW THE CERTIFICATIONS AND ACKNOWLEDGEMENTS IN ITEM 3.

4. **SIGN THE BALLOT.**

5. RETURN THE SIGNED BALLOT TO THE VOTING AND CLAIMS AGENT.

6. **BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**

7. YOU MUST VOTE THE FULL AMOUNT OF YOUR CLAIM REPRESENTED BY THIS BALLOT TO ACCEPT *OR* REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

8. ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE CHAPTER 11 PLAN OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE CHAPTER 11 PLAN, WILL NOT BE COUNTED.

9. **ALL BALLOTS MUST BE FULLY EXECUTED TO BE COUNTED. IF YOU ARE COMPLETING THIS BALLOT ON BEHALF OF ANOTHER PERSON OR ENTITY, INDICATE YOUR RELATIONSHIP WITH SUCH PERSON OR ENTITY AND THE CAPACITY IN WHICH YOU ARE SIGNING.**

Item 1. Principal Amount of Class 1B—DIP Facility Tranche B Claims Voted. The undersigned certifies that as of the Voting Record Date, the undersigned was the Holder of a Class 1B—DIP Facility Tranche B Claim against all of the Debtors in the procedurally consolidated chapter 11 cases pending in the Bankruptcy Court under case no. _____ ( ) in the following aggregate unpaid principal amount (insert amount in the box below):

$

Item 2. Vote. The Holder of the Class 1B—DIP Facility Tranche B Claim against all of the Debtors in the procedurally consolidated chapter 11 cases pending in the Bankruptcy Court under case no. _____ ( ) set forth in Item 1 votes to (please check **only** one box):

☐ **ACCEPT** THE PLAN

☐ **REJECT** THE PLAN

THE PLAN CONSISTS OF SEPARATE CHAPTER 11 PLANS FOR EACH OF THE DEBTORS. THIS BALLOT REPRESENTS YOUR VOTE ON THE SEPARATE CHAPTER 11 PLANS FOR EACH DEBTOR. TO THE EXTENT YOU WOULD LIKE TO OBJECT TO ANY INDIVIDUAL DEBTOR'S CHAPTER 11 PLAN, YOU ARE REQUIRED TO FILE A MOTION UNDER RULE 3018 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AS EXPLAINED IN THE DEBTORS' VOTING AND TABULATION PROCEDURES.

IMPORTANT INFORMATION REGARDING RELEASES BY HOLDERS OF CLAIMS AND INTERESTS:

BY VOTING TO ACCEPT THE PLAN, YOU AGREE TO BE SUBJECT TO THE RELEASE IN ARTICLE VIII.E OF THE PLAN, WHICH PROVIDES:

> As of the Effective Date of the Plan, each Holder of a Claim or an Interest shall be deemed to have expressly, unconditionally, generally and individually and collectively, released, acquitted and discharged the Debtors, the Reorganized Debtors and the Released Parties from any and all actions, Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that such Entity (whether individually or collectively) ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Plan Support Agreement or related agreements, instruments or other documents, or any other act or omission, transaction, agreement, event or other occurrence relating to the Debtors taking place on or before the Confirmation Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party unknown to the Debtors as of the Petition Date that constitutes willful misconduct or gross negligence in each case as determined by Final Order of a court of competent jurisdiction.

If you would like to vote to accept the Plan but *not* be subject to the above release provision, please indicate so by checking this box: ☐

Item 3. Certifications and Acknowledgments. By returning this Ballot, the Holder of the Class 1B—DIP Facility Tranche B Claim identified in Item 1 certifies that this Ballot is the only Ballot submitted for the Class 1B—DIP Facility Tranche B Claim held by such Holder. By signing this Ballot, the undersigned acknowledges and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement. The undersigned understands that, if this Ballot is validly executed but does not indicate either acceptance or rejection of the Plan, this Ballot will not be counted as either an acceptance or rejection of the Plan.

_____
Name of Creditor (Please Print)

_____
Authorized Signature

_____
Name of Signatory

_____
If by Authorized Agent, Name and Title[2]

_____
Street Address

_____
City, State, Zip Code

_____
Telephone Number

_____
Date Completed

PLEASE RETURN YOUR BALLOT PROMPTLY. THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011.

THE VOTING AND CLAIMS AGENT WILL NOT ACCEPT BALLOTS BY FACSIMILE OR OTHER MEANS OF ELECTRONIC TRANSMISSION.

IF YOU HAVE RECEIVED A DAMAGED BALLOT OR HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CALL THE VOTING AND CLAIMS AGENT, AT 866-927-7081 (INTERNATIONAL 310-751-2653).

---

2 If you are completing this Ballot on behalf of another person or entity, indicate your relationship with such person or entity and the capacity in which you are signing.

Exhibit 2B

Proposed Class 4 Ballot
(with respect to Holders of First Lien Secured Claims)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

CLASS 4 BALLOT FOR ACCEPTING OR REJECTING THE JOINT PLAN OF REORGANIZATION OF APPLESEED'S INTERMEDIATE HOLDINGS LLC AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

CLASS 4—FIRST LIEN SECURED CLAIMS

PLEASE READ AND FOLLOW THE ENCLOSED INSTRUCTIONS FOR COMPLETING BALLOTS CAREFULLY BEFORE COMPLETING THIS BALLOT.

YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT BY 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2011, THE VOTING DEADLINE, OR YOUR VOTE WILL NOT BE COUNTED.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

BALLOT CODE [__]

This ballot (the "***Ballot***") is submitted to you by Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and each of its affiliated debtors and debtors in possession (collectively, the "***Debtors***") to solicit your vote to accept or reject the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Plan***"), which is described in the accompanying *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***").

The Plan constitutes a separate chapter 11 plan of reorganization for each of the 28 Debtors and the classifications set forth in the Plan shall be deemed to apply to each of the Debtors unless otherwise provided in the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined herein shall have the meaning ascribed to them in Plan.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the Holders of at least two-thirds in amount and more than one-half in number of the Claims in each Impaired Class who vote on the Plan and if the Plan otherwise satisfies the applicable requirements of section 1129(a) of the Bankruptcy Code. If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (a) provides fair and equitable treatment to, and does not unfairly discriminate against, each Class or Classes rejecting the Plan and (b) otherwise satisfies the requirements of section 1129(b) of the Bankruptcy Code.

TO HAVE YOUR VOTE COUNTED, YOU MUST COMPLETE, SIGN AND RETURN THIS BALLOT IN THE ENVELOPE PROVIDED SO THAT IT IS ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT ON OR BEFORE 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2011.

PLEASE BE ADVISED THAT THE PLAN CONTAINS CERTAIN RELEASE, EXCULPATION AND INJUNCTION PROVISIONS. THESE PROVISIONS ARE FOUND IN **ARTICLE VIII** OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

IMPORTANT

You should review the Disclosure Statement and the Plan and the instructions contained herein before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your Claim or Claims under the Plan. Your Claim has been placed in Class 4—First Lien Secured Claims under the Plan. If you hold Claims in more than one Class, you will receive a separate Ballot for each Class in which you are entitled to vote.

If your vote is not received by the Voting and Claims Agent, Kurtzman Carson Consultants LLC, on or before the Voting Deadline and the deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan. Ballots should be mailed to the following address:

APPLESEEDS BALLOT PROCESSING
C/O KURTZMAN CARSON CONSULTANTS LLC
VOTING AND CLAIMS AGENT FOR APPLESEED'S INTERMEDIATE HOLDINGS LLC, ET AL.
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011.

Ballots will not be accepted by facsimile transmission or electronic mail.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Plan.

HOW TO VOTE

1. MAKE SURE THE INFORMATION CONTAINED IN ITEM 1 IS CORRECT.

2. VOTE TO ACCEPT OR REJECT THE PLAN IN ITEM 2. EACH OF THE DEBTORS IS SOLICITING VOTES ON THE PLAN ATTACHED AS **EXHIBIT A** TO THE DISCLOSURE STATEMENT. TO THIS END, HOLDERS OF CLASS 4—FIRST LIEN SECURED CLAIMS MAY CHOOSE TO ACCEPT OR REJECT THE CHAPTER 11 PLAN, AS INDICATED IN **ITEM 2** OF THE BALLOT.

3. REVIEW THE CERTIFICATIONS AND ACKNOWLEDGEMENTS IN ITEM 3.

4. **SIGN THE BALLOT.**

5. RETURN THE SIGNED BALLOT TO THE VOTING AND CLAIMS AGENT.

6. **BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**

7. YOU MUST VOTE THE FULL AMOUNT OF YOUR CLAIM REPRESENTED BY THIS BALLOT TO ACCEPT *OR* REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

8. ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE CHAPTER 11 PLAN OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE CHAPTER 11 PLAN, WILL NOT BE COUNTED.

9. **ALL BALLOTS MUST BE FULLY EXECUTED TO BE COUNTED. IF YOU ARE COMPLETING THIS BALLOT ON BEHALF OF ANOTHER PERSON OR ENTITY, INDICATE YOUR RELATIONSHIP WITH SUCH PERSON OR ENTITY AND THE CAPACITY IN WHICH YOU ARE SIGNING.**

Item 1. Principal Amount of Class 4—First Lien Secured Claims Voted. The undersigned certifies that as of the Voting Record Date, the undersigned was the Holder of a Class 4—First Lien Secured Claim against all of the Debtors in the procedurally consolidated chapter 11 cases pending in the Bankruptcy Court under case no. _____ ( ) in the following aggregate unpaid principal amount (insert amount in the box below):

$

Item 2. Vote. The Holder of the Class 4—First Lien Secured Claim against all of the Debtors in the procedurally consolidated chapter 11 cases pending in the Bankruptcy Court under case no. _____ ( ) set forth in Item 1 votes to (please check **only** one box):

☐ **ACCEPT** THE PLAN

☐ **REJECT** THE PLAN

THE PLAN CONSISTS OF SEPARATE CHAPTER 11 PLANS FOR EACH OF THE DEBTORS. THIS BALLOT REPRESENTS YOUR VOTE ON THE SEPARATE CHAPTER 11 PLANS FOR EACH DEBTOR. TO THE EXTENT YOU WOULD LIKE TO OBJECT TO ANY INDIVIDUAL DEBTOR'S CHAPTER 11 PLAN, YOU ARE REQUIRED TO FILE A MOTION UNDER RULE 3018 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AS EXPLAINED IN THE DEBTORS' VOTING AND TABULATION PROCEDURES.

IMPORTANT INFORMATION REGARDING RELEASES BY HOLDERS OF CLAIMS AND INTERESTS:

BY VOTING TO ACCEPT THE PLAN, YOU AGREE TO BE SUBJECT TO THE RELEASE IN ARTICLE VIII.E OF THE PLAN, WHICH PROVIDES:

> As of the Effective Date of the Plan, each Holder of a Claim or an Interest shall be deemed to have expressly, unconditionally, generally and individually and collectively, released, acquitted and discharged the Debtors, the Reorganized Debtors and the Released Parties from any and all actions, Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that such Entity (whether individually or collectively) ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Plan Support Agreement or related agreements, instruments or other documents, or any other act or omission, transaction, agreement, event or other occurrence relating to the Debtors taking place on or before the Confirmation Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party unknown to the Debtors as of the Petition Date that constitutes willful misconduct or gross negligence in each case as determined by Final Order of a court of competent jurisdiction.

If you would like to vote to accept the Plan but *not* be subject to the above release provision, please indicate so by checking this box: ☐

Item 3. Certifications and Acknowledgments. By returning this Ballot, the Holder of the Class 4—First Lien Secured Claim identified in Item 1 certifies that this Ballot is the only Ballot submitted for the Class 4—First Lien Secured Claim held by such Holder. By signing this Ballot, the undersigned acknowledges and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement. The undersigned understands that, if this Ballot is validly executed but does not indicate either acceptance or rejection of the Plan, this Ballot will not be counted as either an acceptance or rejection of the Plan.

_____
Name of Creditor (Please Print)

_____
Authorized Signature

_____
Name of Signatory

_____
If by Authorized Agent, Name and Title[2]

_____
Street Address

_____
City, State, Zip Code

_____
Telephone Number

_____
Date Completed

PLEASE RETURN YOUR BALLOT PROMPTLY. THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011.

THE VOTING AND CLAIMS AGENT WILL NOT ACCEPT BALLOTS BY FACSIMILE OR OTHER MEANS OF ELECTRONIC TRANSMISSION.

IF YOU HAVE RECEIVED A DAMAGED BALLOT OR HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CALL THE VOTING AND CLAIMS AGENT, AT 866-927-7081 (INTERNATIONAL 310-751-2653).

2 If you are completing this Ballot on behalf of another person or entity, indicate your relationship with such person or entity and the capacity in which you are signing.

Exhibit 2C

Proposed Class 5 Ballot
(with respect to Holders of Second Lien Note Claims)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

CLASS 5 BALLOT FOR ACCEPTING OR REJECTING THE JOINT PLAN OF REORGANIZATION OF APPLESEED'S INTERMEDIATE HOLDINGS LLC AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

CLASS 5—SECOND LIEN NOTE CLAIMS

PLEASE READ AND FOLLOW THE ENCLOSED INSTRUCTIONS FOR COMPLETING BALLOTS CAREFULLY BEFORE COMPLETING THIS BALLOT.

YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT BY 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2011, THE VOTING DEADLINE, OR YOUR VOTE WILL NOT BE COUNTED.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

BALLOT CODE [__]

This ballot (the "***Ballot***") is submitted to you by Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and each of its affiliated debtors and debtors in possession (collectively, the "***Debtors***") to solicit your vote to accept or reject the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Plan***"), which is described in the accompanying *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***").

The Plan constitutes a separate chapter 11 plan of reorganization for each of the 28 Debtors and the classifications set forth in the Plan shall be deemed to apply to each of the Debtors unless otherwise provided in the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined herein shall have the meaning ascribed to them in Plan.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the Holders of at least two-thirds in amount and more than one-half in number of the Claims in each Impaired Class who vote on the Plan and if the Plan otherwise satisfies the applicable requirements of section 1129(a) of the Bankruptcy Code. If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (a) provides fair and equitable treatment to, and does not unfairly discriminate against, each Class or Classes rejecting the Plan and (b) otherwise satisfies the requirements of section 1129(b) of the Bankruptcy Code.

TO HAVE YOUR VOTE COUNTED, YOU MUST COMPLETE, SIGN AND RETURN THIS BALLOT IN THE ENVELOPE PROVIDED SO THAT IT IS ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT ON OR BEFORE 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2011.

PLEASE BE ADVISED THAT THE PLAN CONTAINS CERTAIN RELEASE, EXCULPATION AND INJUNCTION PROVISIONS. THESE PROVISIONS ARE FOUND IN **ARTICLE VIII** OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

IMPORTANT

You should review the Disclosure Statement and the Plan and the instructions contained herein before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your Claim or Claims under the Plan. Your Claim has been placed in Class 5—Second Lien Note Claims under the Plan. If you hold Claims in more than one Class, you will receive a separate Ballot for each Class in which you are entitled to vote.

If your vote is not received by the Voting and Claims Agent, Kurtzman Carson Consultants LLC, on or before the Voting Deadline and the deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan. Ballots should be mailed to the following address:

APPLESEEDS BALLOT PROCESSING
C/O KURTZMAN CARSON CONSULTANTS LLC
VOTING AND CLAIMS AGENT FOR APPLESEED'S INTERMEDIATE HOLDINGS LLC, ET AL.
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011.

Ballots will not be accepted by facsimile transmission or electronic mail.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Plan.

HOW TO VOTE

1. MAKE SURE THE INFORMATION CONTAINED IN ITEM 1 IS CORRECT.

2. VOTE TO ACCEPT OR REJECT THE PLAN IN ITEM 2. EACH OF THE DEBTORS IS SOLICITING VOTES ON THE PLAN ATTACHED AS **EXHIBIT A** TO THE DISCLOSURE STATEMENT. TO THIS END, HOLDERS OF CLASS 5—SECOND LIEN NOTE CLAIMS MAY CHOOSE TO ACCEPT OR REJECT THE CHAPTER 11 PLAN, AS INDICATED IN **ITEM 2** OF THE BALLOT.

3. REVIEW THE CERTIFICATIONS AND ACKNOWLEDGEMENTS IN ITEM 3.

4. **SIGN THE BALLOT.**

5. RETURN THE SIGNED BALLOT TO THE VOTING AND CLAIMS AGENT.

6. **BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**

7. YOU MUST VOTE THE FULL AMOUNT OF YOUR CLAIM REPRESENTED BY THIS BALLOT TO ACCEPT *OR* REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.

8. ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE CHAPTER 11 PLAN OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE CHAPTER 11 PLAN, WILL NOT BE COUNTED.

9. **ALL BALLOTS MUST BE FULLY EXECUTED TO BE COUNTED. IF YOU ARE COMPLETING THIS BALLOT ON BEHALF OF ANOTHER PERSON OR ENTITY, INDICATE YOUR RELATIONSHIP WITH SUCH PERSON OR ENTITY AND THE CAPACITY IN WHICH YOU ARE SIGNING.**

Item 1. Principal Amount of Class 5—Second Lien Note Claims Voted. The undersigned certifies that as of the Voting Record Date, the undersigned was the Holder of a Class 5—Second Lien Note Claim against all of the Debtors in the procedurally consolidated chapter 11 cases pending in the Bankruptcy Court under case no. _____ ( ) in the following aggregate unpaid principal amount (insert amount in the box below):

$

Item 2. Vote. The Holder of the Class 5—Second Lien Note Claim against all of the Debtors in the procedurally consolidated chapter 11 cases pending in the Bankruptcy Court under case no. _____ ( ) set forth in Item 1 votes to (please check **only** one box):

☐ **ACCEPT** THE PLAN

☐ **REJECT** THE PLAN

THE PLAN CONSISTS OF SEPARATE CHAPTER 11 PLANS FOR EACH OF THE DEBTORS. THIS BALLOT REPRESENTS YOUR VOTE ON THE SEPARATE CHAPTER 11 PLANS FOR EACH DEBTOR. TO THE EXTENT YOU WOULD LIKE TO OBJECT TO ANY INDIVIDUAL DEBTOR'S CHAPTER 11 PLAN, YOU ARE REQUIRED TO FILE A MOTION UNDER RULE 3018 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AS EXPLAINED IN THE DEBTORS' VOTING AND TABULATION PROCEDURES.

IMPORTANT INFORMATION REGARDING RELEASES BY HOLDERS OF CLAIMS AND INTERESTS:

BY VOTING TO ACCEPT THE PLAN, YOU AGREE TO BE SUBJECT TO THE RELEASE IN ARTICLE VIII.E OF THE PLAN, WHICH PROVIDES:

> As of the Effective Date of the Plan, each Holder of a Claim or an Interest shall be deemed to have expressly, unconditionally, generally and individually and collectively, released, acquitted and discharged the Debtors, the Reorganized Debtors and the Released Parties from any and all actions, Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that such Entity (whether individually or collectively) ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Plan Support Agreement or related agreements, instruments or other documents, or any other act or omission, transaction, agreement, event or other occurrence relating to the Debtors taking place on or before the Confirmation Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party unknown to the Debtors as of the Petition Date that constitutes willful misconduct or gross negligence in each case as determined by Final Order of a court of competent jurisdiction.

If you would like to vote to accept the Plan but *not* be subject to the above release provision, please indicate so by checking this box: ☐

Item 3. Certifications and Acknowledgments. By returning this Ballot, the Holder of the Class 5—Second Lien Note Claim identified in Item 1 certifies that this Ballot is the only Ballot submitted for the Class 5—Second Lien Note Claim held by such HolderBy signing this Ballot, the undersigned acknowledges and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement. The undersigned understands that, if this Ballot is validly executed but does not indicate either acceptance or rejection of the Plan, this Ballot will not be counted as either an acceptance or rejection of the Plan.

_____
Name of Creditor (Please Print)

_____
Authorized Signature

_____
Name of Signatory

_____
If by Authorized Agent, Name and Title[2]

_____
Street Address

_____
City, State, Zip Code

_____
Telephone Number

_____
Date Completed

PLEASE RETURN YOUR BALLOT PROMPTLY. THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011.

THE VOTING AND CLAIMS AGENT WILL NOT ACCEPT BALLOTS BY FACSIMILE OR OTHER MEANS OF ELECTRONIC TRANSMISSION.

IF YOU HAVE RECEIVED A DAMAGED BALLOT OR HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CALL THE VOTING AND CLAIMS AGENT, AT 866-927-7081 (INTERNATIONAL 310-751-2653).

2 If you are completing this Ballot on behalf of another person or entity, indicate your relationship with such person or entity and the capacity in which you are signing.

Exhibit 2D

Proposed Class 6A Ballot
(with respect to Holders of Qualified Unsecured Trade Claims)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

CLASS 6A BALLOT FOR ACCEPTING OR REJECTING THE JOINT PLAN OF REORGANIZATION OF APPLESEED'S INTERMEDIATE HOLDINGS LLC AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

CLASS 6A—QUALIFIED UNSECURED TRADE CLAIMS

PLEASE READ AND FOLLOW THE ENCLOSED INSTRUCTIONS FOR COMPLETING BALLOTS CAREFULLY BEFORE COMPLETING THIS BALLOT.

YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT BY 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2011, THE VOTING DEADLINE, OR YOUR VOTE WILL NOT BE COUNTED.

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

BALLOT CODE [__]

This ballot (the "***Ballot***") is submitted to you by Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and each of its affiliated debtors and debtors in possession (collectively, the "***Debtors***") to solicit your vote to accept or reject the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Plan***"), which is described in the accompanying *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***").

The Plan constitutes a separate chapter 11 plan of reorganization for each of the 28 Debtors and the classifications set forth in the Plan shall be deemed to apply to each of the Debtors unless otherwise provided in the Plan. Capitalized terms used in this Ballot or the attached instructions that are not otherwise defined herein shall have the meaning ascribed to them in Plan.

The Plan can be confirmed by the Bankruptcy Court and thereby made binding on you if it is accepted by the Holders of at least two-thirds in amount and more than one-half in number of the Claims in each Impaired Class who vote on the Plan and if the Plan otherwise satisfies the applicable requirements of section 1129(a) of the Bankruptcy Code. If the requisite acceptances are not obtained, the Bankruptcy Court nonetheless may confirm the Plan if it finds that the Plan (a) provides fair and equitable treatment to, and does not unfairly discriminate against, each Class or Classes rejecting the Plan and (b) otherwise satisfies the requirements of section 1129(b) of the Bankruptcy Code.

TO HAVE YOUR VOTE COUNTED, YOU MUST COMPLETE, SIGN AND RETURN THIS BALLOT IN THE ENVELOPE PROVIDED SO THAT IT IS ACTUALLY RECEIVED BY THE VOTING AND CLAIMS AGENT ON OR BEFORE 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2011.

PLEASE BE ADVISED THAT THE PLAN CONTAINS CERTAIN RELEASE, EXCULPATION AND INJUNCTION PROVISIONS. THESE PROVISIONS ARE FOUND IN **ARTICLE VIII** OF THE PLAN. YOU ARE ADVISED AND ENCOURAGED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AS YOUR RIGHTS MIGHT BE AFFECTED.

VOTING INFORMATION AND INSTRUCTIONS FOR COMPLETING THE BALLOT

IMPORTANT

You should review the Disclosure Statement and the Plan and the instructions contained herein before you vote. You may wish to seek legal advice concerning the Plan and the classification and treatment of your Claim or Claims under the Plan. Your Claim has been placed in Class 6A—Qualified Unsecured Trade Claims under the Plan. If you hold Claims in more than one Class, you will receive a separate Ballot for each Class in which you are entitled to vote.

If your vote is not received by the Voting and Claims Agent, Kurtzman Carson Consultants LLC, on or before the Voting Deadline and the deadline is not extended, your vote will not count as either an acceptance or rejection of the Plan. Ballots should be mailed to the following address:

APPLESEEDS BALLOT PROCESSING
C/O KURTZMAN CARSON CONSULTANTS LLC
VOTING AND CLAIMS AGENT FOR APPLESEED'S INTERMEDIATE HOLDINGS LLC, ET AL.
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011.

Ballots will not be accepted by facsimile transmission or electronic mail.

If the Plan is confirmed by the Bankruptcy Court, it will be binding on you whether or not you vote.

Unless otherwise defined herein, capitalized terms shall have the meaning ascribed to them in the Plan.

HOW TO VOTE

1. MAKE SURE THE INFORMATION CONTAINED IN ITEM 1 IS CORRECT.
2. VOTE TO ACCEPT OR REJECT THE PLAN IN ITEM 2.
3. REVIEW THE CERTIFICATIONS AND ACKNOWLEDGEMENTS IN ITEM 3.
4. **SIGN THE BALLOT.**
5. RETURN THE SIGNED BALLOT TO THE VOTING AND CLAIMS AGENT.
6. **BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE COUNTED.**
7. YOU MUST VOTE THE FULL AMOUNT OF YOUR CLAIM REPRESENTED BY THIS BALLOT TO ACCEPT *OR* REJECT THE PLAN AND MAY NOT SPLIT YOUR VOTE.
8. ANY EXECUTED BALLOT RECEIVED THAT (A) DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE CHAPTER 11 PLAN OR (B) THAT INDICATES BOTH AN ACCEPTANCE AND REJECTION OF THE CHAPTER 11 PLAN, WILL NOT BE COUNTED.
9. **ALL BALLOTS MUST BE FULLY EXECUTED TO BE COUNTED. IF YOU ARE COMPLETING THIS BALLOT ON BEHALF OF ANOTHER PERSON OR ENTITY, INDICATE YOUR RELATIONSHIP WITH SUCH PERSON OR ENTITY AND THE CAPACITY IN WHICH YOU ARE SIGNING.**

Item 1. Principal Amount of Class 6A—Qualified Unsecured Trade Claims Voted. The undersigned certifies that as of the Voting Record Date, the undersigned was the Holder of a Class 6A—Qualified Unsecured Trade Claim against [Debtor], case no. _____ ( ) in the following aggregate unpaid principal amount (insert amount in the box below):

$

Item 2. Vote. The Holder of the Class 6A—Qualified Unsecured Trade Claim against [Debtor], case no. _____ ( ) set forth in Item 1 votes to (please check **only** one box):

☐ **ACCEPT** THE PLAN

☐ **REJECT** THE PLAN

THE PLAN CONSISTS OF SEPARATE CHAPTER 11 PLANS FOR EACH OF THE DEBTORS. THIS BALLOT REPRESENTS YOUR VOTE ON THE SEPARATE CHAPTER 11 PLAN OF THE DEBTOR FOR WHICH YOU HOLD A CLAIM AGAINST. TO THE EXTENT YOU WOULD LIKE TO OBJECT TO THE INDIVIDUAL DEBTOR'S CHAPTER 11 PLAN, YOU ARE REQUIRED TO FILE A MOTION UNDER RULE 3018 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AS EXPLAINED IN THE DEBTORS' VOTING AND TABULATION PROCEDURES.

IMPORTANT INFORMATION REGARDING RELEASES BY HOLDERS OF CLAIMS AND INTERESTS:

BY VOTING TO ACCEPT THE PLAN, YOU AGREE TO BE SUBJECT TO THE RELEASE IN ARTICLE VIII.E OF THE PLAN, WHICH PROVIDES:

> As of the Effective Date of the Plan, each Holder of a Claim or an Interest shall be deemed to have expressly, unconditionally, generally and individually and collectively, released, acquitted and discharged the Debtors, the Reorganized Debtors and the Released Parties from any and all actions, Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims asserted on behalf of a debtor, whether known or unknown, foreseen or unforeseen, matured or unmatured, existing or hereafter arising, in law, equity, contract, tort or otherwise, that such Entity (whether individually or collectively) ever had, now has or hereafter can, shall or may have, based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the purchase, sale or rescission of the purchase or sale of any Security of the Debtors or the Reorganized Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Chapter 11 Cases, the negotiation, formulation or preparation of the Plan, the Plan Supplement, the Disclosure Statement, the Plan Support Agreement or related agreements, instruments or other documents, or any other act or omission, transaction, agreement, event or other occurrence relating to the Debtors taking place on or before the Confirmation Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party unknown to the Debtors as of the Petition Date that constitutes willful misconduct or gross negligence in each case as determined by Final Order of a court of competent jurisdiction.

If you would like to vote to accept the Plan but *not* be subject to the above release provision, please indicate so by checking this box: ☐

Item 3. Certifications and Acknowledgments. By returning this Ballot, the Holder of the Class 6A—Qualified Unsecured Trade Claim identified in Item 1 certifies that this Ballot is the only Ballot submitted for the Class 6A—Qualified Unsecured Trade Claim held by such HolderBy signing this Ballot, the undersigned acknowledges and certifies that the undersigned is the claimant or has the power and authority to vote to accept or reject the Plan on behalf of the claimant. The undersigned understands that the solicitation of votes for the Plan is subject to all the terms and conditions set forth in the Disclosure Statement. The undersigned understands that, if this Ballot is validly executed but does not indicate either acceptance or rejection of the Plan, this Ballot will not be counted as either an acceptance or rejection of the Plan.

_____
Name of Creditor (Please Print)

_____
Authorized Signature

_____
Name of Signatory

_____
If by Authorized Agent, Name and Title[2]

_____
Street Address

_____
City, State, Zip Code

_____
Telephone Number

_____
Date Completed

PLEASE RETURN YOUR BALLOT PROMPTLY. THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011.

THE VOTING AND CLAIMS AGENT WILL NOT ACCEPT BALLOTS BY FACSIMILE OR OTHER MEANS OF ELECTRONIC TRANSMISSION.

IF YOU HAVE RECEIVED A DAMAGED BALLOT OR HAVE LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS BALLOT OR THE VOTING PROCEDURES, PLEASE CALL THE VOTING AND CLAIMS AGENT, AT 866-927-7081 (INTERNATIONAL 310-751-2653).

2 If you are completing this Ballot on behalf of another person or entity, indicate your relationship with such person or entity and the capacity in which you are signing.

Exhibit 3

Cover Letter

[LETTERHEAD]

[DATE]

Via First Class Mail

RE: **In re Appleseed's Intermediate Holdings LLC, *et al.*,**
Chapter 11 Case No. 11-[_____ ( )] (Jointly Administered)

TO ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN:

Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and its affiliated debtors and debtors in possession (collectively, the "***Debtors***")[1] each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "***Court***") on _____, 2011.

You have received this letter and the enclosed materials because you are entitled to vote on the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Plan***").[2] On _____, 2011 the Court entered an order (the "***Disclosure Statement Order***"): (a) authorizing the Debtors to solicit acceptances for the Plan; (b) approving the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***") as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (c) approving the solicitation materials and documents to be included in the solicitation packages (the "***Solicitation Package***"); and (d) approving procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan.

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1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

2 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan.

YOU ARE RECEIVING THIS LETTER BECAUSE YOU ARE ENTITLED TO VOTE ON THE PLAN. THEREFORE, YOU SHOULD READ THIS LETTER CAREFULLY AND DISCUSS IT WITH YOUR ATTORNEY. IF YOU DO NOT HAVE AN ATTORNEY, YOU MAY WISH TO CONSULT ONE.

In addition to this cover letter, the enclosed materials comprise your Solicitation Package, and were approved by the Court for distribution to Holders of Claims in connection with the solicitation of votes to accept the Plan. The Solicitation Package consists of the following:

i. the Disclosure Statement, as approved by the Bankruptcy Court (with all exhibits, including the Plan);

ii. the Disclosure Statement Order;

iii. the notice of the hearing to consider confirmation of the Plan; and

iv. a ballot (together with detailed voting instructions and a postage prepaid return envelope, pre-addressed to the Voting and Claims Agent (identified below)).

Appleseed's Intermediate Holdings LLC (on behalf of itself and each of the other Debtors) has approved the filing of the Plan and the solicitation of votes to accept the Plan. The Debtors believe that the acceptance of the Plan is in the best interests of their estates, Holders of Claims and all other parties in interest. Moreover, the Debtors believe that any alternative other than Confirmation of the Plan could result in extensive delays and increased administrative expenses, which, in turn, would likely result in smaller distributions (or no distributions) on account of Claims asserted in these Chapter 11 Cases.

THE DEBTORS STRONGLY URGE YOU TO PROPERLY AND TIMELY SUBMIT YOUR BALLOT CASTING A VOTE TO ACCEPT THE PLAN. BALLOTS SHOULD BE SUBMITTED TO THE FOLLOWING ADDRESS:

APPLESEEDS BALLOT PROCESSING
C/O KURTZMAN CARSON CONSULTANTS LLC
VOTING AND CLAIMS AGENT FOR APPLESEED'S INTERMEDIATE HOLDINGS LLC, ET AL.
2335 ALASKA AVENUE
EL SEGUNDO, CALIFORNIA 90245

THE VOTING DEADLINE IS 4:00 P.M. (PREVAILING EASTERN TIME) ON _____, 2011

The materials in the Solicitation Package are intended to be self-explanatory. If you should have any questions, however, please feel free to contact Kurtzman Carson Consultants LLC, the voting and claims agent retained by the Debtors in these Chapter 11 Cases (the "***Voting and Claims Agent***"), by: (a) calling the Debtors' restructuring hotline at 855-927-7081 (international 310-751-2653); (b) visiting the Debtors' restructuring website at: www.kccllc.net/appleseeds; (c) e-mailing the Debtors at AppleseedsInfo@kccllc.com and/or (d)

writing to Appleseed's Intermediate Holdings LLC, c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245. You may also obtain copies of any pleadings filed in these chapter 11 cases for a fee via PACER at: http://www.deb.uscourts.gov. Please be advised that the Voting and Claims Agent is authorized to answer questions about, and provide additional copies of solicitation materials, but may **not** advise you as to whether you should vote to accept or reject the Plan.

Sincerely,

Appleseed's Intermediate Holdings LLC on its own behalf and for each of the other 27 Debtors

Exhibit 4

Confirmation Hearing Notice

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

NOTICE OF HEARING TO CONSIDER CONFIRMATION OF THE CHAPTER 11 PLAN FILED BY THE DEBTORS AND RELATED VOTING AND OBJECTION DEADLINES

PLEASE TAKE NOTICE THAT on _____, 2011, the United States Bankruptcy Court for the District of Delaware (the "***Court***") entered an order (the "***Disclosure Statement Order***"): (a) authorizing Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and its affiliated debtors and debtors in possession (collectively, the "***Debtors***"), to solicit acceptances for the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Plan***")[2]; (b) approving the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***") as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (c) approving the solicitation materials and documents to be included in the solicitation packages (the "***Solicitation Packages***"); and (d) approving procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan.

---

1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

2 Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan.

PLEASE TAKE FURTHER NOTICE THAT the hearing at which the Court will consider Confirmation of the Plan (the "***Confirmation Hearing***") will commence at __:__ **prevailing Eastern Time on _____, 2011**, before the Honorable Judge _____, in the United States Bankruptcy Court for the District of Delaware, located at 824 Market Street, Third Floor, Wilmington, Delaware 19801.

PLEASE BE ADVISED: THE CONFIRMATION HEARING MAY BE CONTINUED FROM TIME TO TIME BY THE COURT OR THE DEBTORS *WITHOUT FURTHER NOTICE* OTHER THAN BY SUCH ADJOURNMENT BEING ANNOUNCED IN OPEN COURT OR BY A NOTICE OF ADJOURNMENT FILED WITH THE COURT AND SERVED ON ALL PARTIES ENTITLED TO NOTICE.

CRITICAL INFORMATION REGARDING VOTING ON THE PLAN

Voting Record Date. The voting record date is _____, 2011 (the "***Voting Record Date***"), which is the date for determining which Holders of Claims in Classes 1A, 1B, 4, 5, 6A and 6B are entitled to vote on the Plan.

Voting Deadline. The deadline for voting on the Plan is **4:00 p.m. prevailing Eastern Time on** _____, 2011 (the "***Voting Deadline***"). If you received a Solicitation Package, including a ballot and intend to vote on the Plan you **must**: (a) follow the instructions carefully; (b) complete *all* of the required information on the ballot; and (c) execute and return your completed Ballot according to and as set forth in detail in the voting instructions so that it is **actually received** by the Debtors' voting and claims agent, Kurtzman Carson Consultants LLC (the "***Voting and Claims Agent***") on or before the Voting Deadline. **A failure to follow such instructions may disqualify your vote**.

CRITICAL INFORMATION REGARDING OBJECTING TO THE PLAN

ARTICLE VIII OF THE PLAN CONTAINS RELEASE, EXCULPATION, AND INJUNCTION PROVISIONS, AND **ARTICLE VIII.E. CONTAINS A THIRD-PARTY RELEASE**. THUS, YOU ARE ADVISED TO REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MIGHT BE AFFECTED THEREUNDER.

Plan Objection Deadline. The deadline for filing objections to the Plan is _____, **2011 at 4:00 p.m. prevailing Eastern Time** (the "***Plan Objection Deadline***"). All objections to the relief sought at the Confirmation Hearing must: (a) be in writing; (b) conform to the Bankruptcy Rules, the Local Rules and any orders of the Court; (d) state, with particularity, the legal and factual basis for the objection and, if practicable, a proposed modification to the Plan (or related materials) that would resolve such objection; and (e) be filed with the Court (contemporaneously with a proof of service) and served upon the following parties so as to be **actually received** on or before _____, **2011 at 4:00 p.m. prevailing Eastern Time**:

KIRKLAND & ELLIS LLP Attn: Joshua A. Sussberg, Esq. Attn: Brian E. Schartz, Esq. 601 Lexington Avenue New York, New York 10022-4611		**KLEHR HARRISON HARVEY BRANZBUR LLP** Attn: Domenic E. Pacitti, Esq. Attn: Michael Yurkewicz, Esq. Attn: Margaret M. Manning, Esq. 919 Market Street, Suite 1000 Wilmington, Delaware 19801-3062
Counsel to the Debtors		
WINSTON & STRAWN LLP Attn: William D. Brewer, Esq. 200 Park Avenue New York, New York 10166	**SIDLEY AUSTIN LLP** Attn: James P. Seery, Jr., Esq. 787 Seventh Avenue New York, New York 10019	**KRAMER LEVIN NAFTALIS AND FRANKEL LLP** Attn: Douglas Mannal, Esq. 1177 Avenue of the Americas New York, New York 10036
Counsel to the ABL Agent	***Counsel to the First Lien Agent***	***Counsel to the Second Lien Agent***
THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE Attn: Richard Schepacarter, Esq. 844 King Street, Suite 2207 Wilmington, Delaware 19801		
[_____] Attn: [_____] Attn: [_____] [_____] [_____] ***Counsel to the Statutory Committee of Unsecured Creditors***		

ADDITIONAL INFORMATION

Obtaining Solicitation Materials. The materials in the Solicitation Package are intended to be self-explanatory. If you should have any questions or if you would like to obtain additional solicitation materials (or paper copies of solicitation materials if you received a CD-ROM), please feel free to contact the Debtors' Voting and Claims Agent, by: (a) calling the Debtors' restructuring hotline at 855-927-7081 (international 310-751-2653); (b) visiting the Debtors' restructuring website at: www.kccllc.net/appleseeds; (c) e-mailing the Debtors at AppleseedsInfo@kccllc.com and/or (d) writing to Appleseed's Intermediate Holdings LLC, c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at: http://www.deb.uscourts.gov. Please be advised that the Voting and Claims Agent is authorized to answer questions about, and provide additional copies of, solicitation materials, but may **not** advise you as to whether you should vote to accept or reject the Plan.

Filing the Plan Supplement. The Debtors will file the Plan Supplement (as defined in the Plan) on or before _____, 2011 and will serve notice on the list of parties entitled to notice, which will: (a) inform parties that the Debtors filed the Plan Supplement; (b) list the information contained in the Plan Supplement; and (c) explain how parties may obtain copies of the Plan Supplement.

BINDING NATURE OF THE PLAN:

IF CONFIRMED THE PLAN SHALL BIND ALL HOLDERS OF CLAIMS AND INTERESTS TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, WHETHER OR NOT SUCH HOLDER WILL RECEIVE OR RETAIN ANY PROPERTY OR INTEREST IN PROPERTY UNDER THE PLAN, HAS FILED A PROOF OF CLAIM IN THE CHAPTER 11 CASES OR FAILED TO VOTE TO ACCEPT OR REJECT THE PLAN OR VOTED TO REJECT THE PLAN.

Dated: _____, 2011
Wilmington, Delaware

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Margaret M. Manning (DE Bar No. 4183)
KLEHR HARRISON HARVEY BRANZBURG LLP
919 N. Market Street, Suite 1000
Wilmington, Delaware 19801-3062
Telephone: (302) 426-1189
Facsimile: (302) 426-9193

- and -

Richard M. Cieri (*pro hac vice* admission pending)
Joshua A. Sussberg (*pro hac vice* admission pending)
Brian E. Schartz (*pro hac vice* admission pending)
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022–4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Proposed Co-Counsel to the Debtors and Debtors in Possession

Exhibit 5

Plan Supplement Notice

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

NOTICE OF FILING OF PLAN SUPPLEMENT

PLEASE TAKE NOTICE THAT on _____, 2011, United States Bankruptcy Court for the District of Delaware (the "***Court***") entered an order (the "***Disclosure Statement Order***"): (a) authorizing Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and its affiliated debtors and debtors in possession (collectively, the "***Debtors***"), to solicit acceptances for the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as may be modified, amended or supplemented from time to time, the "***Plan***")[2]; (b) approving the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***") as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (c) approving the solicitation materials and documents to be included in the solicitation packages; and (d) approving procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan.

PLEASE TAKE FURTHER NOTICE THAT as contemplated by the Plan the Disclosure Statement Order approving the Disclosure Statement, the Debtors filed the Plan Supplement with the Court on _____, 2011 [Docket No. ___]. The Plan Supplement contains the following documents (each as defined in the Plan): (a) the New By-Laws; (b) the New Certificates of Incorporation; (c) the Rejected Executory Contract and Unexpired Lease List

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

[2] Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan.

(d) a list of retained Causes of Action, if any; (e) the Management Equity Incentive Program; (f) the New Stockholders Agreement; (g) the New Registration Rights Agreement; (h) the Assumed Executory Contract and Unexpired Lease List; (i) the Qualified Vendor Support Agreement; (j) the identification of any Disbursing Agent other than the Reorganized Debtors; (k) the New Intercreditor Agreement; (l) the New ABL Facility Credit Agreement; (m) the New Senior Term Loan Credit Agreement; (n) the New First Lien Term Loan Credit Agreement; (o) the New Junior Term Loan Credit Agreement; (p) the Existing Benefits Agreements; and (q) the New Employment Agreements.

PLEASE TAKE FURTHER NOTICE THAT the hearing at which the Court will consider Confirmation of the Plan (the "***Confirmation Hearing***") will commence at **__:__ prevailing Eastern Time on _____, 2011**, before the Honorable Judge _____, in the United States Bankruptcy Court for the District of Delaware, located at 824 Market Street, Third Floor, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE THAT the deadline for filing objections to the Plan is **_____, 2011 at 4:00 p.m. prevailing Eastern Time** (the "***Plan Objection Deadline***"). Any objection to the Plan **must**: (a) be in writing; (b) conform to the Bankruptcy Rules, the Local Bankruptcy Rules and any orders of the Court; (d) 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 (d) be filed with the Court (contemporaneously with a proof of service) and served upon the following parties so as to be **actually received** on or before **_____, 2011 at 4:00 p.m. prevailing Eastern Time**:

<table>
<tr><td colspan="3">KIRKLAND & ELLIS LLP
Attn: Joshua A. Sussberg, Esq.
Attn: Brian E. Schartz, Esq.
601 Lexington Avenue
New York, New York 10022-4611

KLEHR HARRISON HARVEY BRANZBUR LLP
Attn: Domenic E. Pacitti, Esq.
Attn: Michael Yurkewicz, Esq.
Attn: Margaret M. Manning, Esq.
919 Market Street, Suite 1000
Wilmington, Delaware 19801-3062

Counsel to the Debtors</td></tr>
<tr><td>WINSTON & STRAWN LLP
Attn: William D. Brewer, Esq.
200 Park Avenue
New York, New York 10166

Counsel to the ABL Agent</td><td>SIDLEY AUSTIN LLP
Attn: James P. Seery, Jr., Esq.
787 Seventh Avenue
New York, New York 10019

Counsel to the First Lien Agent</td><td>KRAMER LEVIN NAFTALIS AND FRANKEL LLP
Attn: Douglas Mannal, Esq.
1177 Avenue of the Americas
New York, New York 10036

Counsel to the Second Lien Agent</td></tr>
<tr><td colspan="3">THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE
Attn: Richard Schepacarter, Esq.
844 King Street, Suite 2207
Wilmington, Delaware 19801</td></tr>
<tr><td colspan="3">[_____]
Attn: [_____]
Attn: [_____]
[_____]
[_____]

Counsel to the Statutory Committee of Unsecured Creditors</td></tr>
</table>

PLEASE TAKE FURTHER NOTICE THAT if you would like to obtain a copy of the Disclosure Statement, the Plan, the Plan Supplement or related documents, you should contact Kurtzman Carson Consultants, the voting and claims agent retained by the Debtors in these Chapter 11 Cases (the "***Voting and Claims Agent***"), by: (a) calling the Debtors' restructuring hotline at 855-927-7081 (international 310-751-2653); (b) visiting the Debtors' restructuring website at: www.kccllc.net/appleseeds; (c) e-mailing the Debtors at AppleseedsInfo@kccllc.com and/or (d) writing to Appleseed's Intermediate Holdings LLC, c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at: http://www.deb.uscourts.gov.

ARTICLE VIII OF THE PLAN CONTAINS RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AND **ARTICLE VIII.E. CONTAINS A THIRD-PARTY RELEASE**. THUS, YOU ARE ADVISED TO REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MIGHT BE AFFECTED THEREUNDER.

THIS NOTICE IS BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY. IF YOU HAVE QUESTIONS WITH RESPECT TO YOUR RIGHTS UNDER THE PLAN OR ABOUT ANYTHING STATED HEREIN OR IF YOU WOULD LIKE TO OBTAIN ADDITIONAL INFORMATION, CONTACT THE VOTING AND CLAIMS AGENT.

Dated: _____, 2011
Wilmington, Delaware

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Margaret M. Manning (DE Bar No. 4183)
KLEHR HARRISON HARVEY BRANZBURG LLP
919 N. Market Street, Suite 1000
Wilmington, Delaware 19801-3062
Telephone: (302) 426-1189
Facsimile: (302) 426-9193

- and -

Richard M. Cieri (*pro hac vice* admission pending)
Joshua A. Sussberg (*pro hac vice* admission pending)
Brian E. Schartz (*pro hac vice* admission pending)
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022–4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Proposed Co-Counsel to the Debtors and Debtors in Possession

III.

Exhibit 6

Notice of Non-Voting Status (Not Impaired)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

NOTICE OF NON-VOTING STATUS TO HOLDER OF UNIMPAIRED CLAIMS CONCLUSIVELY PRESUMED TO ACCEPT THE PLAN

PLEASE TAKE NOTICE THAT on _____, 2011, the United States Bankruptcy Court for the District of Delaware (the "***Court***") entered an order (the "***Disclosure Statement Order***"): (a) authorizing Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and its affiliated debtors and debtors in possession (collectively, the "***Debtors***"), to solicit acceptances for the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Plan***")[2]; (b) approving the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***") as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (c) approving the solicitation materials and documents to be included in the solicitation packages; and (d) approving procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan.

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1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

2 Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan.

PLEASE TAKE FURTHER NOTICE THAT because of the nature and treatment of your Claim under the Plan, ***you are not entitled to vote on the Plan***. Specifically, under the terms of the Plan, as a Holder of a Claim (as currently asserted against the Debtors) that is not Impaired and conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, you are **not** entitled to vote on the Plan.

PLEASE TAKE FURTHER NOTICE THAT the hearing at which the Court will consider Confirmation of the Plan (the "***Confirmation Hearing***") will commence at **__:__ prevailing Eastern Time on _____, 2011**, before the Honorable Judge _____, in the United States Bankruptcy Court for the District of Delaware, located at 824 Market Street, Third Floor, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE THAT the deadline for filing objections to the Plan is **_____, 2011 at 4:00 p.m. prevailing Eastern Time** (the "***Plan Objection Deadline***"). All objections to the relief sought in the Plan must: (a) be in writing; (b) conform to the Bankruptcy Rules, the Local Rules and any orders of the Court; (d) state, with particularity, the legal and factual basis for the objection and, if practicable, a proposed modification to the Plan (or related materials) that would resolve such objection; and (e) be filed with the Court (contemporaneously with a proof of service) and served upon the following parties so as to be **actually received** on or before **_____, 2011 at 4:00 p.m. prevailing Eastern Time**:

KIRKLAND & ELLIS LLP Attn: Joshua A. Sussberg, Esq. Attn: Brian E. Schartz, Esq. 601 Lexington Avenue New York, New York 10022-4611		**KLEHR HARRISON HARVEY BRANZBUR LLP** Attn: Domenic E. Pacitti, Esq. Attn: Michael Yurkewicz, Esq. Attn: Margaret M. Manning, Esq. 919 Market Street, Suite 1000 Wilmington, Delaware 19801-3062
	Counsel to the Debtors	
WINSTON & STRAWN LLP Attn: William D. Brewer, Esq. 200 Park Avenue New York, New York 10166	**SIDLEY AUSTIN LLP** Attn: James P. Seery, Jr., Esq. 787 Seventh Avenue New York, New York 10019	**KRAMER LEVIN NAFTALIS AND FRANKEL LLP** Attn: Douglas Mannal, Esq. 1177 Avenue of the Americas New York, New York 10036
Counsel to the ABL Agent	***Counsel to the First Lien Agent***	***Counsel to the Second Lien Agent***
THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE Attn: Richard Schepacarter, Esq. 844 King Street, Suite 2207 Wilmington, Delaware 19801		
[_____] Attn: [_____] Attn: [_____] [_____] [_____]		
Counsel to the Statutory Committee of Unsecured Creditors		

PLEASE TAKE FURTHER NOTICE THAT if you would like to obtain a copy of the Disclosure Statement, the Plan, the Plan Supplement or related documents, you should contact Kurtzman Carson Consultants, the voting and claims agent retained by the Debtors in these

Chapter 11 Cases (the "***Voting and Claims Agent***"), by: (a) calling the Debtors' restructuring hotline at 855-927-7081 (international 310-751-2653); (b) visiting the Debtors' restructuring website at: www.kccllc.net/appleseeds; (c) e-mailing the Debtors at AppleseedsInfo@kccllc.com and/or (d) writing to Appleseed's Intermediate Holdings LLC, c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at: http://www.deb.uscourts.gov.

ARTICLE VIII OF THE PLAN CONTAINS RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AND **ARTICLE VIII.E. CONTAINS A THIRD-PARTY RELEASE**. THUS, YOU ARE ADVISED TO REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MIGHT BE AFFECTED THEREUNDER.

THIS NOTICE IS BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY. IF YOU HAVE QUESTIONS WITH RESPECT TO YOUR RIGHTS UNDER THE PLAN OR ABOUT ANYTHING STATED HEREIN OR IF YOU WOULD LIKE TO OBTAIN ADDITIONAL INFORMATION, CONTACT THE VOTING AND CLAIMS AGENT.

Dated: _____, 2011
Wilmington, Delaware

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Margaret M. Manning (DE Bar No. 4183)
KLEHR HARRISON HARVEY BRANZBURG LLP
919 N. Market Street, Suite 1000
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Telephone: (302) 426-1189
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Richard M. Cieri (*pro hac vice* admission pending)
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Brian E. Schartz (*pro hac vice* admission pending)
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, New York 10022–4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Proposed Co-Counsel to the Debtors and Debtors in Possession

Exhibit 7

Notice of Non-Voting Status (Impaired)

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

NOTICE OF NON-VOTING STATUS TO HOLDERS OF IMPAIRED CLAIMS AND EQUITY INTERESTS DEEMED TO REJECT THE PLAN

PLEASE TAKE NOTICE THAT on _____, 2011, the United States Bankruptcy Court for the District of Delaware (the "***Court***") entered an order (the "***Disclosure Statement Order***"): (a) authorizing Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and its affiliated debtors and debtors in possession (collectively, the "***Debtors***"), to solicit acceptances for the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as modified, amended or supplemented from time to time, the "***Plan***")[2]; (b) approving the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***") as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (c) approving the solicitation materials and documents to be included in the solicitation packages; and (d) approving procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan.

---

1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

2 Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan.

PLEASE TAKE FURTHER NOTICE THAT because of the nature and treatment of your Claim or Interest under the Plan, ***you are not entitled to vote on the Plan***. Specifically, under the terms of the Plan, as a Holder of a Claim or Interest (as currently asserted against the Debtors) that is receiving no distribution under the Plan, you are deemed to reject the Plan pursuant to section 1126(f) of the Bankruptcy Code and are not entitled to vote on the Plan.

PLEASE TAKE FURTHER NOTICE THAT the hearing at which the Court will consider Confirmation of the Plan (the "***Confirmation Hearing***") will commence at **__:__ prevailing Eastern Time on _____, 2011**, before the Honorable Judge _____, in the United States Bankruptcy Court for the District of Delaware, located at 824 Market Street, Third Floor, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE THAT the deadline for filing objections to the Plan is **_____, 2011 at 4:00 p.m. prevailing Eastern Time** (the "***Plan Objection Deadline***"). All objections to the relief sought in the Plan must: (a) be in writing; (b) conform to the Bankruptcy Rules, the Local Rules and any orders of the Court; (d) state, with particularity, the legal and factual for the objection and, if practicable, a proposed modification to the Plan (or related materials) that would resolve such objection; and (e) be filed with the Court (contemporaneously with a proof of service) and served upon the following parties so as to be **actually received** on or before **_____, 2011 at 4:00 p.m. prevailing Eastern Time**:

KIRKLAND & ELLIS LLP Attn: Joshua A. Sussberg, Esq. Attn: Brian E. Schartz, Esq. 601 Lexington Avenue New York, New York 10022-4611		**KLEHR HARRISON HARVEY BRANZBUR LLP** Attn: Domenic E. Pacitti, Esq. Attn: Michael Yurkewicz, Esq. Attn: Margaret M. Manning, Esq. 919 Market Street, Suite 1000 Wilmington, Delaware 19801-3062
Counsel to the Debtors		
WINSTON & STRAWN LLP Attn: William D. Brewer, Esq. 200 Park Avenue New York, New York 10166	**SIDLEY AUSTIN LLP** Attn: James P. Seery, Jr., Esq. 787 Seventh Avenue New York, New York 10019	**KRAMER LEVIN NAFTALIS AND FRANKEL LLP** Attn: Douglas Mannal, Esq. 1177 Avenue of the Americas New York, New York 10036
Counsel to the ABL Agent	***Counsel to the First Lien Agent***	***Counsel to the Second Lien Agent***
THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE Attn: Richard Schepacarter, Esq. 844 King Street, Suite 2207 Wilmington, Delaware 19801		
[_____] Attn: [_____] Attn: [_____] [_____] [_____] ***Counsel to the Statutory Committee of Unsecured Creditors***		

PLEASE TAKE FURTHER NOTICE THAT if you would like to obtain a copy of the Disclosure Statement, the Plan, the Plan Supplement or related documents, you should contact Kurtzman Carson Consultants, the voting and claims agent retained by the Debtors in these

Chapter 11 Cases (the "***Voting and Claims Agent***"), by: (a) calling the Debtors' restructuring hotline at 855-927-7081 (international 310-751-2653); (b) visiting the Debtors' restructuring website at: www.kccllc.net/appleseeds; (c) e-mailing the Debtors at AppleseedsInfo@kccllc.com and/or (d) writing to Appleseed's Intermediate Holdings LLC, c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at: http://www.deb.uscourts.gov.

ARTICLE VIII OF THE PLAN CONTAINS RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AND **ARTICLE VIII.E. CONTAINS A THIRD-PARTY RELEASE**. THUS, YOU ARE ADVISED TO REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MIGHT BE AFFECTED THEREUNDER.

THIS NOTICE IS BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY. IF YOU HAVE QUESTIONS WITH RESPECT TO YOUR RIGHTS UNDER THE PLAN OR ABOUT ANYTHING STATED HEREIN OR IF YOU WOULD LIKE TO OBTAIN ADDITIONAL INFORMATION, CONTACT THE VOTING AND CLAIMS AGENT.

Dated: _____, 2011
Wilmington, Delaware

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Margaret M. Manning (DE Bar No. 4183)
KLEHR HARRISON HARVEY BRANZBURG LLP
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- and -

Richard M. Cieri (*pro hac vice* admission pending)
Joshua A. Sussberg (*pro hac vice* admission pending)
Brian E. Schartz (*pro hac vice* admission pending)
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Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Proposed Co-Counsel to the Debtors and Debtors in Possession

Exhibit 8

Notice of Assumption

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

NOTICE OF (A) EXECUTORY CONTRACTS AND UNEXPIRED LEASES TO BE ASSUMED BY THE DEBTORS PURSUANT TO THE PLAN; (B) CURE AMOUNTS, IF ANY; AND (C) RELATED PROCEDURES IN CONNECTION THEREWITH

PLEASE TAKE NOTICE THAT on _____, 2011, United States Bankruptcy Court for the District of Delaware (the "***Court***") entered an order (the "***Disclosure Statement Order***"): (a) authorizing Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and its affiliated debtors and debtors in possession (collectively, the "***Debtors***"), to solicit acceptances for the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as may be modified, amended or supplemented from time to time, the "***Plan***")[2]; (b) approving the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***") as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (c) approving the solicitation materials and documents to be included in the solicitation packages; and (d) approving procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan.

---

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

[2] Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan.

PLEASE TAKE FURTHER NOTICE THAT the Debtors have filed the *Assumed Executory Contract and Unexpired Lease List* (the "***Assumption Schedule***") with the Court as part of the Plan Supplement on _____, 2011, as contemplated under the Plan. The determination to assume the agreements identified on the Assumption Schedule was made as of _____, 2011 and is subject to revision.

PLEASE TAKE FURTHER NOTICE THAT the hearing at which the Court will consider Confirmation of the Plan (the "***Confirmation Hearing***") will commence at __:__ **prevailing Eastern Time on _____, 2011**, before the Honorable Judge _____, in the United States Bankruptcy Court for the District of Delaware, located at 824 Market Street, Third Floor, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE THAT you are receiving this notice because the Debtors' records reflect that you are a party to a contract that is listed on the Assumption Schedule. Therefore, you are advised to review carefully the information contained in this notice and the related provisions of the Plan, including the Assumption Schedule.

PLEASE TAKE FURTHER NOTICE that the Debtors are proposing to assume the Executory Contract(s) and Unexpired Lease(s) listed below to which you are a party:[3]

Counterparty Name	Description of Contract	Amount Required to Cure Default Thereunder, if any
		$[_____]

PLEASE TAKE FURTHER NOTICE THAT section 365(b)(1) of the Bankruptcy Code requires a chapter 11 debtor to cure, or provide adequate assurance that it will promptly cure, any defaults under executory contracts and unexpired leases at the time of assumption. Accordingly, the Debtors have conducted a thorough review of their books and records and have determined the amounts required to cure defaults, if any, under the Executory Contract(s) and Unexpired Lease(s), which amounts are listed in the table above. Please note that if no amount is stated for a particular Executory Contract or Unexpired Lease, the Debtors believe that there is no cure amount outstanding for such contract or lease.

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[3] Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Assumption Schedule, nor anything contained in the Plan or each Debtor's schedule of assets and liabilities, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease capable of assumption, that any Reorganized Debtor(s) has any liability thereunder or that such Executory Contract or Unexpired Lease is necessarily a binding and enforceable agreement. Further, the Debtors expressly reserve the right to (a) remove any Executory Contract or Unexpired Lease from the Assumption Schedule and reject such Executory Contract or Unexpired Lease pursuant to the terms of the Plan, up until the Effective Date and (b) contest any Claim (or cure amount) asserted in connection with assumption of any Executory Contract or Unexpired Lease.

PLEASE TAKE FURTHER NOTICE THAT absent any pending dispute, the monetary amounts required to cure any existing defaults arising under the Executory Contract(s) and Unexpired Lease(s) identified above will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by the Debtors in Cash on the Effective Date. In the event of a dispute, however, payment of the cure amount would be made following the entry of a final order(s) resolving the dispute and approving the assumption. If an objection to the proposed assumption or related cure amount is sustained by the Court, however, the Debtors, in their sole option, may elect to reject such Executory Contract or Unexpired Lease in lieu of assuming it.

PLEASE TAKE FURTHER NOTICE THAT the deadline for filing objections to the Plan (including any assumption of an Executory Contract or Unexpired Lease as contemplated in the Plan Supplement) is **_____, 2011 at 4:00 p.m. prevailing Eastern Time** (the "***Plan Objection Deadline***"). Any objection to the Plan **must**: (a) be in writing; (b) conform to the Bankruptcy Rules, the Local Bankruptcy Rules and any orders of the Court; (d) 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 (d) be filed with the Court (contemporaneously with a proof of service) and served upon the following parties so as to be **actually received** on or before **_____, 2011 at 4:00 p.m. prevailing Eastern Time**:

KIRKLAND & ELLIS LLP Attn: Joshua A. Sussberg, Esq. Attn: Brian E. Schartz, Esq. 601 Lexington Avenue New York, New York 10022-4611		**KLEHR HARRISON HARVEY BRANZBUR LLP** Attn: Domenic E. Pacitti, Esq. Attn: Michael Yurkewicz, Esq. Attn: Margaret M. Manning, Esq. 919 Market Street, Suite 1000 Wilmington, Delaware 19801-3062
Counsel to the Debtors		
WINSTON & STRAWN LLP Attn: William D. Brewer, Esq. 200 Park Avenue New York, New York 10166	**SIDLEY AUSTIN LLP** Attn: James P. Seery, Jr., Esq. 787 Seventh Avenue New York, New York 10019	**KRAMER LEVIN NAFTALIS AND FRANKEL LLP** Attn: Douglas Mannal, Esq. 1177 Avenue of the Americas New York, New York 10036
Counsel to the ABL Agent	***Counsel to the First Lien Agent***	***Counsel to the Second Lien Agent***
THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE Attn: Richard Schepacarter, Esq. 844 King Street, Suite 2207 Wilmington, Delaware 19801		
[_____] Attn: [_____] Attn: [_____] [_____] [_____] ***Counsel to the Statutory Committee of Unsecured Creditors***		

PLEASE TAKE FURTHER NOTICE THAT any objections to Plan in connection with the assumption of the Executory Contract(s) and Unexpired Lease(s) identified above and/or related cure or adequate assurances proposed in connection with the Plan that remain unresolved as of the Confirmation Hearing will be heard at the Confirmation Hearing (or such other date as fixed by the Court).

PLEASE TAKE FURTHER NOTICE THAT any counterparty to an Executory Contract that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption and cure amount.

PLEASE TAKE FURTHER NOTICE THAT 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, 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 DATE OF THE DEBTORS OR REORGANIZED DEBTORS ASSUME SUCH EXECUTORY CONTRACT OR UNEXPIRED LEASE. ANY PROOFS OF CLAIM FILED WITH RESPECT TO AN EXECUTORY CONTRACT OR UNEXPIRED LEASE THAT HAS BEEN ASSUMED SHALL BE DEEMED DISALLOWED AND EXPUNGED, WITHOUT FURTHER NOTICE TO OR ACTION, ORDER OR APPROVAL OF THE BANKRUPTCY COURT.

PLEASE TAKE FURTHER NOTICE THAT if you would like to obtain a copy of the Disclosure Statement, the Plan, the Plan Supplement or related documents, you should contact Kurtzman Carson Consultants, the voting and claims agent retained by the Debtors in these Chapter 11 Cases (the "***Voting and Claims Agent***"), by: (a) calling the Debtors' restructuring hotline at 855-927-7081 (international 310-751-2653); (b) visiting the Debtors' restructuring website at: www.kccllc.net/appleseeds; (c) e-mailing the Debtors at AppleseedsInfo@kccllc.com and/or (d) writing to Appleseed's Intermediate Holdings LLC, c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at: http://www.deb.uscourts.gov.

ARTICLE VIII OF THE PLAN CONTAINS RELEASE, EXCULPATION AND INJUNCTION PROVISIONS, AND **ARTICLE VIII.E. CONTAINS A THIRD-PARTY RELEASE**. THUS, YOU ARE ADVISED TO REVIEW AND CONSIDER THE PLAN CAREFULLY BECAUSE YOUR RIGHTS MIGHT BE AFFECTED THEREUNDER.

THIS NOTICE IS BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY. IF YOU HAVE QUESTIONS WITH RESPECT TO YOUR RIGHTS UNDER THE PLAN OR ABOUT ANYTHING STATED HEREIN OR IF YOU WOULD LIKE TO OBTAIN ADDITIONAL INFORMATION, CONTACT THE VOTING AND CLAIMS AGENT.

Dated: _____, 2011
Wilmington, Delaware

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Margaret M. Manning (DE Bar No. 4183)
KLEHR HARRISON HARVEY BRANZBURG LLP
919 N. Market Street, Suite 1000
Wilmington, Delaware 19801-3062
Telephone: (302) 426-1189
Facsimile: (302) 426-9193

- and -

Richard M. Cieri (*pro hac vice* admission pending)
Joshua A. Sussberg (*pro hac vice* admission pending)
Brian E. Schartz (*pro hac vice* admission pending)
KIRKLAND & ELLIS LLP
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New York, New York 10022–4611
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

Proposed Co-Counsel to the Debtors and Debtors in Possession

Exhibit 9

Notice of Rejection

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[4]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

NOTICE REGARDING EXECUTORY CONTRACTS AND UNEXPIRED LEASES TO BE REJECTED PURSUANT TO THE PLAN

PLEASE TAKE NOTICE THAT on _____, 2011, United States Bankruptcy Court for the District of Delaware (the "***Court***") entered an order (the "***Disclosure Statement Order***"): (a) authorizing Appleseed's Intermediate Holdings LLC d/b/a Orchard Brands and its affiliated debtors and debtors in possession (collectively, the "***Debtors***"), to solicit acceptances for the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (as may be modified, amended or supplemented from time to time, the "***Plan***")[5]; (b) approving the *Disclosure Statement for the Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Disclosure Statement***") as containing "adequate information" pursuant to section 1125 of the Bankruptcy Code; (c) approving the solicitation materials and documents to be included in the solicitation packages; and (d) approving procedures for soliciting, receiving and tabulating votes on the Plan and for filing objections to the Plan.

[4] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

[5] Capitalized terms not otherwise defined herein shall have the same meanings set forth in the Plan.

PLEASE TAKE FURTHER NOTICE THAT the Debtors have filed the *Rejected Executory Contract and Unexpired Lease List* (the "***Rejection Schedule***") with the Court as part of the Plan Supplement on _____, 2011, as contemplated under the Plan. The determination to reject the agreements identified on the Rejection Schedule was made as of _____, 2011 and is subject to revision.

PLEASE TAKE FURTHER NOTICE THAT YOU ARE RECEIVING THIS NOTICE BECAUSE THE DEBTORS' RECORDS REFLECT THAT YOU ARE A PARTY TO AN EXECUTORY CONTRACT OR UNEXPIRED LEASE THAT WILL BE REJECTED PURSUANT TO THE PLAN. THEREFORE, YOU ARE ADVISED TO REVIEW CAREFULLY THE INFORMATION CONTAINED IN THIS NOTICE AND THE RELATED PROVISIONS OF THE PLAN.[6]

PLEASE TAKE FURTHER NOTICE THAT the hearing at which the Court will consider Confirmation of the Plan (the "***Confirmation Hearing***") will commence at __:__ **prevailing Eastern Time on _____, 2011**, before the Honorable Judge _____, in the United States Bankruptcy Court for the District of Delaware, located at 824 Market Street, Third Floor, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE THAT all proofs of Claim with respect to Claims arising from the rejection of Executory Contracts or Unexpired Leases, if any, must be filed with the Bankruptcy Court within **30 days** after the date of entry of an order of the Bankruptcy Court (including the Confirmation Order) approving such rejection. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease not Filed within such time will be automatically disallowed, forever barred from assertion and shall not be enforceable against the Debtors or the Reorganized Debtors, the Estates or their property without the need for any objection by the Reorganized Debtors or further notice to, or action, order or approval of the Bankruptcy Court.

PLEASE TAKE FURTHER NOTICE THAT the deadline for filing objections to the Plan is **_____, 2011 at 4:00 p.m. prevailing Eastern Time** (the "***Plan Objection Deadline***"). Any objection to the Plan **must**: (a) be in writing; (b) conform to the Bankruptcy Rules, the Local Bankruptcy Rules and any orders of the Court; (d) 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 (d) be filed with the Court (contemporaneously with a proof of service) and served upon the following parties so as to be **actually received** on or before **_____, 2011 at 4:00 p.m. prevailing Eastern Time**:

---

[6] Neither the exclusion nor inclusion of any Executory Contract or Unexpired Lease on the Rejected Executory Contract and Unexpired Lease List, 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 any Reorganized Debtor has any liability thereunder. Further, the Debtors expressly reserve the right to (a) remove any Executory Contract or Unexpired Lease from the Rejection Schedule and assume such Executory Contract or Unexpired Lease pursuant to the terms of the Plan, up until the Effective Date and (b) contest any Claim asserted in connection with rejection of any Executory Contract or Unexpired Lease.

KIRKLAND & ELLIS LLP Attn: Joshua A. Sussberg, Esq. Attn: Brian E. Schartz, Esq. 601 Lexington Avenue New York, New York 10022-4611		**KLEHR HARRISON HARVEY BRANZBUR LLP** Attn: Domenic E. Pacitti, Esq. Attn: Michael Yurkewicz, Esq. Attn: Margaret M. Manning, Esq. 919 Market Street, Suite 1000 Wilmington, Delaware 19801-3062
Counsel to the Debtors		
WINSTON & STRAWN LLP Attn: William D. Brewer, Esq. 200 Park Avenue New York, New York 10166	**SIDLEY AUSTIN LLP** Attn: James P. Seery, Jr., Esq. 787 Seventh Avenue New York, New York 10019	**KRAMER LEVIN NAFTALIS AND FRANKEL LLP** Attn: Douglas Mannal, Esq. 1177 Avenue of the Americas New York, New York 10036
Counsel to the ABL Agent	***Counsel to the First Lien Agent***	***Counsel to the Second Lien Agent***
THE OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE Attn: Richard Schepacarter, Esq. 844 King Street, Suite 2207 Wilmington, Delaware 19801		
[_____] Attn: [_____] Attn: [_____] [_____] [_____] ***Counsel to the Statutory Committee of Unsecured Creditors***		

PLEASE TAKE FURTHER NOTICE THAT any objections to Plan in connection with the assumption of the Executory Contract(s) and Unexpired Lease(s) identified above and/or related cure or adequate assurances proposed in connection with the Plan that remain unresolved as of the Confirmation Hearing will be heard at the Confirmation Hearing (or such other date as fixed by the Court).

PLEASE TAKE FURTHER NOTICE THAT if you would like to obtain a copy of the Disclosure Statement, the Plan, the Plan Supplement or related documents, you should contact Kurtzman Carson Consultants, the voting and claims agent retained by the Debtors in these Chapter 11 Cases (the "***Voting and Claims Agent***"), by: (a) calling the Debtors' restructuring hotline at 855-927-7081 (international 310-751-2653); (b) visiting the Debtors' restructuring website at: www.kccllc.net/appleseeds; (c) e-mailing the Debtors at AppleseedsInfo@kccllc.com and/or (d) writing to Appleseed's Intermediate Holdings LLC, c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245. You may also obtain copies of any pleadings filed in these Chapter 11 Cases for a fee via PACER at: http://www.deb.uscourts.gov.

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THIS NOTICE IS BEING SENT TO YOU FOR INFORMATIONAL PURPOSES ONLY. IF YOU HAVE QUESTIONS WITH RESPECT TO YOUR RIGHTS UNDER THE PLAN OR ABOUT ANYTHING STATED HEREIN OR IF YOU WOULD LIKE TO OBTAIN ADDITIONAL INFORMATION, CONTACT THE VOTING AND CLAIMS AGENT.

Dated: _____, 2011
Wilmington, Delaware

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
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Telephone: (212) 446-4800
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Proposed Co-Counsel to the Debtors and Debtors in Possession

Exhibit 10

Voting and Tabulation Procedures

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
APPLESEED'S INTERMEDIATE HOLDINGS LLC, *et al.*,[1]	)	Case No. 11-10160 (KG)
Debtors.	)	Joint Administration Requested

VOTING AND TABULATION PROCEDURES

Pursuant to the *Order (A) Approving the Disclosure Statement; (B) Approving Solicitation Packages and Procedures for the Distribution Thereof; (C) Approving the Forms of Ballots and Manner of Notice; (D) Approving the Voting Record Date, Solicitation Deadline and Voting Deadline; and (E) Establishing Notice and Objection Procedures for Confirmation of the Plan* (the "***Order***"), the following procedures (the "***Voting and Tabulation Procedures***") are adopted with respect to the return and tabulation of Ballots with respect to votes to accept or reject the Plan.[2]

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Appleseed's Intermediate Holdings LLC (6322); Appleseed's Acquisition, Inc. (5835); Appleseed's Holdings, Inc. (9117); Arizona Mail Order Company, Inc. (6359); Bedford Fair Apparel, Inc. (3551); Blair Credit Services Corporation (5966); Blair Factoring Company (4679); Blair Holdings, Inc. (0022); Blair International Holdings, Inc. (8962); Blair LLC (1670); Blair Payroll, LLC (1670); Draper's & Damon's Acquisition LLC (1760); Draper's & Damon's LLC (2759); Fairview Advertising, LLC (2877); Gold Violin LLC (0873); Haband Acquisition LLC (8765); Haband Company LLC (8496); Haband Oaks, LP (8036); Haband Online, LLC (1109); Haband Operations, LLC (2794); Johnny Appleseed's, Inc. (5560); Linen Source Acquisition LLC (2920); LM&B Catalog, Inc. (5729); Monterey Bay Clothing Company, Inc. (2076); Norm Thompson Outfitters, Inc. (8344); NTO Acquisition Corporation (0995); Orchard Brands Insurance Agency LLC (4858); and Wintersilks, LLC (0688). The Debtors' main corporate address is 138 Conant Street, Beverly, Massachusetts 01915.

[2] Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Order.

A. Temporary Allowance of Claims

Solely for purposes of voting to accept or reject the Plan, and not for the purpose of making distributions on account of any Claim, and without prejudice to the rights of the Debtors or any other party in interest in any other context, each Claim within a Class of Claims entitled to vote to accept or reject the Plan shall be temporarily allowed in an amount equal to the amount of such Claim as set forth in a timely filed proof of Claim, or, if no proof of Claim was filed, the amount of such Claim as set forth in the schedules of assets and liabilities (the "***Schedules***"), in accordance with, and subject to, the Voting and Tabulation Procedures described below:

i. a Claim that is not contingent, unliquidated or disputed, for which a proof of Claim has been filed, which is not listed on the Schedules and no objection to such Claim has been filed on or before the Voting Deadline, shall be temporarily allowed for voting purposes in the amount set forth in the proof of Claim;

ii. a Claim for which a proof of Claim has been filed and asserts both a liquidated and unliquidated amount, shall be temporarily allowed for voting purposes, subject to the other Voting and Tabulation Procedures set forth herein, only in the liquidated amount of such Claim;

iii. a Claim that by its terms is listed on the Schedules as wholly contingent, unliquidated or disputed, based on a filed proof of Claim, shall be temporarily allowed for voting purposes only in an amount equal to one dollar ($1.00);

iv. if the Debtors have served and filed an objection to a Claim at least ten days before the Voting Deadline, such Claim shall, subject to these Voting and Tabulation Procedures, be temporarily allowed for voting purposes in an amount equal to the undisputed amount of such Claim, if any, as set forth in such objection;

v. notwithstanding the Voting and Tabulation Procedures, if a Claim has been estimated, liquidated or otherwise allowed for voting purposes by order of the Court, such Claim will be allowed temporarily for voting purposes only in the amount so estimated, liquidated or allowed by the Court; and

vi. a Claim for which the Claim Holder identifies a Claim amount on its Ballot that is different than the amount otherwise calculated in accordance with the Voting and Tabulation Procedures, shall be allowed temporarily for voting purposes in the amount calculated in accordance with the Voting and Tabulation Procedures.

B. Allowed Claims:

Notwithstanding any other Voting and Tabulation Procedures, a Claim that is deemed Allowed in accordance with the Plan shall be Allowed for voting purposes in the deemed Allowed amount set forth in the Plan.

C. Rejection Damages Claims:

Any Claim filed as a protective Claim for rejection damages related to an Executory Contract or an Unexpired Lease that the Debtors have not rejected as of the Voting Deadline shall be temporarily disallowed for voting purposes, and to the extent that such Claim is solely for rejection damages, any related Ballot shall not be counted as having voted for or against the Plan.

D. Procedures to Tabulate all Ballots:

The following procedures and assumptions shall be used in tabulating Ballots:

i. The Debtors shall reject as invalid each and every Ballot that is not timely submitted on or before the Voting Deadline and shall, except as otherwise expressly set forth herein or by a final order of the Court, decline to count such Ballot in voting to accept or reject the Plan;

ii. the Voting and Claims Agent shall date and time-stamp all Ballots when received. The Voting and Claims Agent shall retain originals and copies of all Ballots for a period of one year after the effective date of the Plan, unless otherwise ordered by the Court;

iii. each party permitted to submit a Ballot shall submit an originally executed version of such Ballot in paper form to the Voting and Claims Agent. Submission of a Ballot by facsimile, email or any other electronic means shall not be valid and the Debtors shall decline to count such Ballot in tabulating votes to accept or reject the Plan;

iv. the Debtors shall file a report of all votes received (a "***Voting Report***") with the Court no later than five calendar days before the Confirmation Hearing. The Voting Report shall, among other things, delineate every irregular Ballot including those Ballots that are late or (in whole or in material part as determined by the Voting and Claims Agent) illegible, unidentifiable, lacking signatures or lacking necessary information, received via facsimile or electronic mail or damaged. The Voting Report shall indicate the Debtors' intentions with regard to such irregular Ballots;

v. the method of delivery of Ballots to the Voting and Claims Agent is at the election and risk of each Holder of a Claim. Except as otherwise provided herein, such delivery will be deemed made only when the Voting and Claims Agent **actually receives** the originally executed Ballot;

vi. no Ballot shall be sent to any of the Debtors, the Debtors' agents (other than the Voting and Claims Agent) or the Debtors' financial or legal advisors and if so sent shall not be counted and debt instruments or securities should not be sent with any Ballots;

vii. if multiple Ballots are received from the same Holder of a Claim with respect to the same Claim before the Voting Deadline, the last Ballot timely received will supersede and revoke in its entirety any previously received Ballot;

viii. if Ballots are received from a Holder of a Claim and the Holder's attorney or legal representative with respect to the same Claim before the Voting Deadline, the last Ballot timely received will supersede and revoke in its entirety any previously received Ballot;

ix. Holders must vote all of their Claims within a particular Class either to accept or reject the Plan and may not split any such votes. A Ballot that includes an individual Claim, the amount of which partially rejects and partially accepts an individual Plan, shall not be counted. Further, if a Holder has multiple Claims within the same Class, the Debtors may, in their discretion, aggregate the Claims of any particular Holder within a Class for the purpose of counting votes;

x. a person signing a Ballot in its capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation or otherwise acting in a fiduciary or representative capacity must indicate such capacity when signing and, if required or requested by the Voting and Claims Agent, the Debtors or the Court, must submit proper evidence to the requesting party to so act on behalf of each such Holder;

xi. the Debtors, subject to contrary order of the Court, may waive any defects or irregularities as to any particular Ballot at any time, either before or after the close of voting, and any such waivers shall be documented in the Voting Report;

xii. neither the Debtors, nor any other party, shall be under any duty to provide notification of defects or irregularities with respect to delivered Ballots other than as provided in the Voting Report, nor will any such party incur any liability for failure to provide such notification;

xiii. unless waived by the Debtors and subject to contrary order of the Court, any defects or irregularities in connection with the delivery of a Ballot must be cured before the Voting Deadline or such Ballots will not be counted in voting to accept or reject the Plan;

xiv. in the event a designation for lack of good faith is requested by a party in interest under section 1126(e) of the Bankruptcy Code, the Court shall determine whether any vote to accept and/or reject the Plan cast with

respect to that Claim will be counted for purposes of determining whether the Plan has been accepted and/or rejected by such Claim;

xv. subject to any contrary order of the Court, the Debtors reserve the right to reject any and all Ballots not in proper form, the acceptance of which, in the opinion of the Debtors, would not be in accordance with the provisions of the Bankruptcy Code or the Bankruptcy Rules; *provided* that any such rejections shall be documented in the Voting Report;

xvi. the following Ballots shall **not** be counted in determining the acceptance or rejection of the Plan: (a) any Ballot that is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (b) any Ballot cast by a party that does not hold a Claim in a Class that is entitled to vote on the Plan; (c) any Ballot cast for a Claim scheduled as contingent, unliquidated or disputed for which the applicable Bar Date has passed and no proof of Claim was timely filed; (d) any unsigned Ballot; (e) any Ballot not marked to accept or reject the Plan, or that indicates both an acceptance and rejection of the Plan; and (f) any Ballot submitted by any entity not entitled to vote pursuant to the procedures described herein; and

xvii. if, on or before 14 days before the Confirmation Hearing, the Debtors have filed an objection to or motion to disallow or reclassify a Claim or to allow or estimate the Claim in an amount different from the amount asserted in the Claim, such Claim will be temporarily allowed for voting purposes in the lesser amount and classification requested by such objection or motion.

E. Procedures for Objecting to an Individual Debtor's Chapter 11 Plans under Bankruptcy Rule 3018

To the extent a creditor would like to object to one of the Debtor's chapter 11 plans but not to each of the 28 chapter 11 plans, such creditor shall be required to file a motion under Bankruptcy Rule 3018 seeking relief from the Voting and Tabulation Procedures.

F. Voting Procedures Applicable to Holders of Prepetition and Postpetition Secured Lender Claims

Within five business days of the Voting Record Date each of the DIP Facility Tranche B Agent, the First Lien Agent and the Second Lien Agent shall provide, as applicable, the Voting and Claims Agent with the following information: (a) a copy of the list of the names, addresses and holdings of all Holders of Class 1B—DIP Facility Tranche B Claims, Class 4—First Lien Claims and Class 5—Second Lien Note Claims, as applicable, as of the Voting Record Date in an electronic file and (b) such other information the Voting and Claims Agent deems reasonable and necessary to perform its duties pursuant to the Order. The Voting and Claims Agent shall use such information only for purposes consistent with the Order and these Voting and Tabulation Procedures.

G. Debtors' Reservation of Rights Regarding Modification of the Plan

The Debtors expressly reserve the right to modify, amend or supplement, from time to time, the terms of the Plan (subject to compliance with the requirement of section 1127 of the Bankruptcy Code and the applicable terms of the Plan regarding modification).

Exhibit D

Financial Projections

FINANCIAL PROJECTIONS OF THE REORGANIZED DEBTORS

In connection with the solicitation of votes on the Plan, and for purposes of demonstrating the feasibility of the Plan, the following financial projections (the "***Financial Projections***")[1] were prepared by the Debtors. The Financial Projections reflect the Debtors' judgment as to the occurrence or nonoccurrence of certain future events and of expected future operating performance and business conditions, which are subject to material change. The Debtors' management, in conjunction with their advisors, have prepared the Financial Projections for the fiscal years 2011 through 2015. The Financial Projections have been prepared on a consolidated basis consistent with the Debtors' financial reporting practices and include all Debtors and non-Debtors. The Financial Projections, including any historical amounts included therein, are unaudited.

THE FINANCIAL PROJECTIONS, INCLUDING THE UNDERLYING BUSINESS AND ECONOMIC ASSUMPTIONS, SHOULD BE CAREFULLY REVIEWED IN EVALUATING THE PLAN. WHILE THE DEBTORS BELIEVE THE ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS, WHEN CONSIDERED ON AN OVERALL BASIS, ARE REASONABLE IN LIGHT OF CURRENT CIRCUMSTANCES AND EXPECTATIONS, NO ASSURANCE CAN BE GIVEN THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED.

THE FINANCIAL PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION, WARRANTY OR GUARANTY BY THE DEBTORS OR ANY OTHER PERSON AS TO THE ACCURACY OF THE FINANCIAL PROJECTIONS OR THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED.

The Financial Projections were not prepared with a view towards complying with the guidelines for prospective financial statements published by the American Institute of Certified Public Accountants (the "***AICPA***") and, as such, do not and are not required to conform with the AICPA with respect to descriptions and recommendations regarding presentation and disclosure of prospective financial information. The Financial Projections have not been compiled, or prepared for examination or review, by the Debtors' independent auditors, who accordingly assume no responsibility for them. The Financial Projections should be read in conjunction with the assumptions, qualifications and footnotes to the Financial Projections set forth herein, the historical consolidated financial information (including the notes and schedules thereto) included in the Debtors' audited financial statements, and the unaudited actual results which will be reported in the monthly operating reports of the Debtors filed with the Bankruptcy Court.

The Financial Projections assume certain specific economic and business conditions will occur in the future, including general assumptions based upon future macroeconomic indicators, response rates of consumers to advertising and consumer trends in general. The Financial Projections were prepared by management in good faith based upon assumptions believed to be reasonable at the time made, but no assurance can be given that such assumptions will prove to be accurate forecasts of the future.

While presented with numerical specificity, the Financial Projections are based upon a variety of assumptions and are subject to significant and material business, economic and competitive uncertainties

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[1] Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Plan***").

and contingencies, many of which are beyond the control of the Debtors. Consequently, the inclusion of the Financial Projections herein should not be regarded as a guaranty by the Debtors (or any other person) that the Financial Projections will be realized, and actual results may vary materially from those presented below. The Financial Projections have been prepared on a basis similar to the internal management reporting currently utilized by the Debtors. The Financial Projections reflect an anticipated emergence from Chapter 11 on the close of business on April 22, 2011. The Financial Projections do not, however, consider the potential effects of the application of "fresh start" accounting as required by the AICPA Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," that may apply on the Effective Date.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: These Financial Projections contain statements which constitute "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. "Forward-looking statements" in these Financial Projections include the intent, belief or current expectations of the Debtors and members of their management team with respect to the timing of, completion of and scope of the current restructuring, reorganization plan, strategic business plan, bank financing and debt and equity market conditions and the Debtors' future liquidity, as well as the assumptions upon which such statements are based. While management believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, parties in interest are strongly cautioned that any such forward-looking statements are not guarantees of future performance, and involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors currently known to management that could cause results to differ materially from those contemplated by the forward-looking statements in these Financial Projections include, but are not limited to, those risks and uncertainties set forth in the Disclosure Statement and other adverse developments with respect to the Debtors' liquidity position or operations of the various businesses of the Reorganized Debtors, adverse developments in the capital markets or public or private markets for debt or equity securities, or adverse developments in the timing or results of the Debtors' current strategic business plan (including the current timeline to emerge from chapter 11) and the possible negative effects that could result from potential economic and political factors around the world.

THE DEBTORS DO NOT, AS A MATTER OF COURSE, PUBLISH OR DISCLOSE THEIR FINANCIAL PROJECTIONS. ACCORDINGLY, THE DEBTORS DO NOT INTEND, AND DISCLAIM ANY OBLIGATION TO, (A) FURNISH UPDATED FINANCIAL PROJECTIONS TO HOLDERS OF CLAIMS OR INTERESTS AT ANY TIME IN THE FUTURE, (B) INCLUDE UPDATED INFORMATION IN ANY DOCUMENTS THAT MAY BE REQUIRED TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR (C) OTHERWISE MAKE UPDATED INFORMATION OR FINANCIAL PROJECTIONS PUBLICLY AVAILABLE.

THE SUMMARY PRO FORMA FINANCIAL PROJECTIONS AND RELATED INFORMATION PROVIDED HEREIN, THOUGH PRESENTED WITH NUMERICAL SPECIFICITY, ARE NECESSARILY BASED ON A VARIETY OF ESTIMATES AND ASSUMPTIONS WHICH, THOUGH CONSIDERED REASONABLE BY MANAGEMENT, MAY NOT BE REALIZED AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE DEBTORS' CONTROL. THE DEBTORS CAUTION THAT NO REPRESENTATIONS CAN BE MADE AS TO THE ACCURACY OF THESE FINANCIAL PROJECTIONS AND RELATED INFORMATION OR AS TO THE DEBTORS' ABILITY TO ACHIEVE THE PROJECTED RESULTS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO

THE DATE ON WHICH THESE FINANCIAL PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED OR MAY BE UNANTICIPATED, AND THUS MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE FINANCIAL PROJECTIONS AND RELATED INFORMATION, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTY OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. PARTIES IN INTEREST MUST MAKE THEIR OWN DETERMINATIONS AS TO THE REASONABLENESS OF SUCH ASSUMPTIONS AND THE RELIABILITY OF THE FINANCIAL PROJECTIONS.

STATEMENT OF OPERATIONS

	Total Appleseed's Intermediate Holdings ($ in 000's)					
	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Notes
Net sales	787,510	851,273	917,673	969,545	1,028,863	
Cost of goods sold	367,169	393,970	424,331	446,585	472,089	
Gross Margin	420,342	457,303	493,342	522,960	556,774	
Marketing Cost	264,088	281,617	294,032	308,724	328,682	
Direct Expenses	62,754	59,345	57,931	55,170	52,714	
Operating Contribution	93,500	116,341	141,378	159,066	175,377	
G&A	70,334	75,362	75,516	75,825	77,520	
EBITDA	**23,166**	**40,979**	**65,863**	**83,240**	**97,858**	
Other Income & Expenses						
Restructuring	12,806	-	-	-	-	[a]
Consolidation and Integration	2,270	-	-	-	-	[b]
Gain on Restructuring	(347,039)	-	-	-	-	[c]
Total Other Income & Expenses	(331,963)	-	-	-	-	
EBITDA Reported	355,129	40,979	65,863	83,240	97,858	
Depreciation	23,456	21,579	20,487	19,968	19,284	
Amortization	4,896	-	-	-	-	
Interest Expense	23,090	23,574	23,620	23,778	23,966	[d]
Earnings before income taxes	303,687	(4,174)	21,755	39,494	54,609	
Income tax (Benefit)	(17,393)	-	3,223	15,554	21,573	[e]
Net Income / (Loss)	**321,081**	**(4,174)**	**18,532**	**23,939**	**33,036**	

BALANCE SHEET

	Total Appleseed's Intermediate Holdings ($ in 000's)					
	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Notes
Current assets:						
Cash	8,793	11,185	34,697	64,731	102,792	[f]
Accounts receivable, net	20,478	20,970	22,614	23,898	25,367	[g]
Inventories, net	132,558	144,242	155,464	164,299	174,426	[h]
Prepaid catalog expenses	29,486	31,873	34,431	37,077	39,173	[i]
Prepaid expenses	10,260	10,260	10,260	10,260	10,260	[j]
Deferred tax asset - current	-	-	1,643	2,352	3,357	
Other current assets	124	124	124	124	124	
Total current assets	**201,699**	**218,654**	**259,233**	**302,740**	**355,498**	
Property & equipment, net	**58,600**	**48,670**	**38,233**	**29,415**	**20,482**	[k]
Other assets:						
Deposits	389	389	389	389	389	
Other long term assets	264	264	264	264	264	
Total other assets	**653**	**653**	**653**	**653**	**653**	
Total assets	**260,952**	**267,977**	**298,120**	**332,809**	**376,633**	
Current liabilities:						
Post-petition accounts payables	70,000	75,668	81,570	86,181	91,453	[l]
Accrued expenses	24,226	26,188	28,289	30,463	32,185	[m]
Accrued customer deposits	14,465	15,637	16,892	18,190	19,218	[n]
Accrued return reserve, net	9,672	10,455	11,294	12,162	12,849	[o]
Accrued income taxes	222	222	222	222	222	
First lien term loan - ST	2,000	2,000	2,000	2,000	2,000	[p]
Accrued interest	1,851	1,664	1,629	1,621	1,614	[q]
Current installment capital lease	92	92	92	92	92	
Note payable - short term	23	23	23	23	23	
ABL	-	-	-	-	-	[r]
Other current liabilities	3,282	3,282	3,282	3,282	3,282	
Total current liabilities	**125,833**	**135,229**	**145,293**	**154,236**	**162,938**	
Long term liabilities:						
DIP "B" / Senior term loan	40,000	40,000	40,000	40,000	40,000	[s]
First lien term loan	198,000	196,500	194,500	192,500	190,500	[t]
Junior term loan	45,062	48,367	51,913	55,720	59,806	[u]
Capital lease - long term	124	124	124	124	124	
Deferred lease liability	1,683	1,683	1,683	1,683	1,683	
Asset retirement liability	349	349	349	349	349	
Other long term liabilities	5,733	5,733	5,733	5,733	5,733	
Total long term liabilities	**290,952**	**292,756**	**294,303**	**296,109**	**298,195**	
Total stockholders equity	**(155,834)**	**(160,008)**	**(141,476)**	**(117,536)**	**(84,501)**	[v]
Total liabilities & equity	**260,952**	**267,977**	**298,120**	**332,809**	**376,633**	

STATEMENT OF CASH FLOWS

	Total Appleseed's Intermediate Holdings ($ in 000's)				
	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015
Cash flow from operations:					
Net income/(loss)	321,081	(4,174)	18,532	23,939	33,036
Adjustments to reconcile net income to net cash-used in operating activities					
Depreciation and amortization	28,352	21,579	20,487	19,968	19,284
Accretion of payment in kind interest	3,547	3,304	3,547	3,807	4,086
Gain from cancellation of debt and restructuring	(364,432)	-	-	-	-
Deferred income taxes	-	-	(1,643)	(708)	(1,006)
Total cash flow from operations	**(11,453)**	**20,709**	**40,923**	**47,006**	**55,400**
Changes in assets and liabilities-					
Net cash from operations					
(increase) decrease in accounts receivable	(2,859)	(492)	(1,644)	(1,284)	(1,469)
(increase) decrease in inventory, net	17,136	(11,684)	(11,222)	(8,835)	(10,127)
(increase) decrease in prepaid catalog	(2,650)	(2,387)	(2,558)	(2,646)	(2,096)
(increase) decrease in prepaid expenses	81	-	-	-	-
(increase) decrease in other assets	0	-	-	-	-
Increase (decrease) in accounts payable	19,319	5,668	5,902	4,611	5,273
Increase (decrease) in accrued expenses	569	1,774	2,067	2,166	1,714
Increase (decrease) in accrued customer orders	(1,684)	1,171	1,255	1,298	1,028
Increase (decrease) in accrued return reserve, net	(2,398)	783	839	868	688
Increase (decrease) in other liabilities	(2,232)	0	0	(0)	0
Total adjustments	**25,283**	**(5,167)**	**(5,361)**	**(3,822)**	**(4,989)**
Net cash provided by (used for) operating activities	**13,830**	**15,542**	**35,562**	**43,184**	**50,411**
Cash flows from investing activities:					
Purchase of property and equipment	(11,315)	(11,650)	(10,050)	(11,150)	(10,350)
Proceeds from disposal of fixed assets	-	-	-	-	-
Net cash provided by (used for) investing activities	**(11,315)**	**(11,650)**	**(10,050)**	**(11,150)**	**(10,350)**
Cash flows from financing activities:					
Borrowings/(repayments) made under line of credit	(34,557)	-	-	-	-
Borrowings/(repayments) - senior debt	39,163	(1,500)	(2,000)	(2,000)	(2,000)
Net cash provided by (used for) financing activities	**4,606**	**(1,500)**	**(2,000)**	**(2,000)**	**(2,000)**
Net increase (decrease) in cash and cash equivalents	**7,121**	**2,392**	**23,512**	**30,034**	**38,061**

Notes to the Financial Projections:

The Financial Projections have not been audited, reviewed or compiled by the Debtors' independent accountant, who accordingly assumes no responsibility for them. They were not prepared with a view toward complying with the guidelines for prospective financial statements published by the AICPA and, as such, do not and are not required to conform with the AICPA descriptions and recommendations regarding presentation and disclosure of prospective financial information. The Financial Projections reflect an anticipated emergence from Chapter 11 on the close of business on April 22, 2011. They do not, however, reflect the impact of implementing fresh start accounting as will likely be required pursuant to Statement of Position 90-7, "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" issued by the AICPA. As a result of these and other factors, the projections are not prepared in accordance with Generally Accepted Accounting Principles ("***GAAP***").

As discussed in the Disclosure Statement, the Financial Projections assume that on the Effective Date the Reorganized Debtors will enter into the New Loans, which will consist of: (a) a senior secured asset-based revolving facility referred to in the Plan as the "New ABL Facility" of up to a principal amount of $80 million (approximately $46.2 million of which will be drawn on the Effective Date),[2] which will be used to fund the Debtors' ongoing operations post-emergence; (b) a new senior secured term loan referred to in the Plan as the "New Senior Term Loan," in the principal amount of $35 million (or $40 million to the extent the DIP Facility Tranche B is fully drawn as of the Effective Date);[3] (c) a new first lien secured term loan referred to in the Plan as the "New First Lien Term Loan," in the principal amount of $200 million; and (d) a new junior secured term loan referred to in the Plan as the "New Junior Term Loan," in the principal amount of $43 million.

The Debtors will use Cash on hand to make any payments provided for in the Plan, and proceeds from the New ABL Facility will provide additional working capital after the Effective Date. The amount of Cash actually on hand on the Effective Date could vary to the extent the Debtors' actual receipts and disbursements vary from the amounts set forth in the Financial Projections.

Additionally, the Plan contemplates the issuance of up to 200 million shares of stock in Reorganized AIH (which the Plan refers to as "New Common Stock"), which stock will provide an additional source of recovery for holders of First Lien Secured Claims and Second Lien Note Claims.

Specific Note References:

(a) Restructuring Costs: Include amounts associated with Chapter 11 related legal and other professional fees expected to be incurred during the bankruptcy process through emergence and an additional $3.4 million of such fees to be incurred at emergence.

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[2] The estimated amount of the New ABL Facility assumes the Effective Date occurs on our about April 30, 2011 and includes an estimate of issued and undrawn letters of credit as of that time.

[3] For purposes of these Financial Projections, the New Senior Term Loan is projected to be $40 million.

(b) Consolidation and Integration Costs: Include amounts associated with the planned consolidation of the Company's Beverly distribution center and closure of approximately 18 of the Company's retail stores.

(c) Gain on Restructuring: Includes the elimination of goodwill and the estimated gain related to cancellation of debt upon emergence. The adjustments, however, do not reflect the impact of implementing fresh start accounting as will likely be required pursuant to Statement of Position 90-7. The estimation standards and accounting recognition of claims may differ from the amount of claims allowed for Plan purposes. Actual allowed unsecured claims may be materially different.

(d) Interest Expense: Includes interest and fees payable pursuant to the DIP Credit Agreement through emergence. Includes post emergence interest, fees and amortization of deferred financing costs associated with commitment fees related to the post emergence capital structure as set forth in the Disclosure Statement.

(e) Tax Expense: Tax Expense is limited to federal and state income tax expense calculated based upon the assumptions and analysis described in the Disclosure Statement and the Debtors' best estimate of the amount and timing of such taxes.

(f) Cash: The estimated cash effects of emergence are assumed to take place on the close of business on April 22, 2011 and are summarized as follows:

- a senior secured asset-based revolving facility, referred to in the Plan and the Disclosure Statement as the "New ABL Facility";
- a new senior secured term loan, referred to in the Plan and the Disclosure Statement as the "New Senior Term Loan";
- a new first lien secured term loan referred to in the Plan and the Disclosure Statement as the "New First Lien Term Loan";
- a new junior secured term loan referred to in the Plan and Disclosure Statement as the "New Junior Term Loan";
- cash on hand to make any payments provided for in the Plan; and
- shares of stock in Reorganized AIH, referred to in the Plan as the "New Common Stock."

(g) Accounts receivable, net: Includes credit card and all other receivables, net of bad debt reserves.

(h) Inventory, net: Includes all inventory and is net of estimated reserves for slow moving and obsolete inventory.

(i) Prepaid catalog expenses: The Debtors capitalize direct costs relating to the production and distribution of its direct response advertising. These costs are charged to operations over the projected period of future benefits, ranging from one to six months.

(j) Prepaid expenses: Includes pre-paid items such as insurance, inventory, utilities, rent, and other miscellaneous items.

(k) Property and equipment, net: Property and equipment has been valued at its net book value. Depreciation and amortization in fiscal years 2011-2015 have been calculated based on those book values using methods consistent with past company practices. The Debtors intend to

obtain independent appraisals for determining fair value of these assets as part of its efforts to assign fair values in "fresh start" accounting as of the Effective Date. The nature, value and length of depreciable or amortizable lives resulting from the appraisals could differ materially from the historical net book values.

(l) Postpetition accounts payable: Include payable amounts incurred postpetition.

(m) Accrued expenses: Includes amounts for salaries and wages, employee medical claims, other employee related expenses, shipping and freight related expenses, taxes, interest expense and other miscellaneous accruals.

(n) Accrued customer deposits: Includes amounts received by the Debtors from their customers where the Debtors have not yet completed their obligations related to a customer's sales transaction.

(o) Accrued return reserve, net: Represents the amount for expected future customer returns as of the balance sheet date and is net of the value of the related merchandise being returned.

(p) First lien term loan - ST: Represents the short term portion of the New First Lien Term Loan in the principal amount of $200 million, as further defined in note (t) below.

(q) Accrued Interest: Represents interest expense for the New ABL Credit Agreement, New Senior Term Loan Agreement, New First Lien Term Loan Credit Agreement and New Junior Term Loan Agreement.

(r) ABL: The New ABL Facility, as described in the Disclosure Statement.

(s) DIP "B" /Senior term loan: The New Senior Term Loan, as described in the Disclosure Statement.

(t) First lien term loan: The New First Lien Term Loan, as described in the Disclosure Statement.

(u) Junior term loan: The New Junior Term Loan, as described in the Disclosure Statement.

(v) Stockholders' Equity: The actual amount of emerged company Stockholders' Equity will be subject to future adjustment pending future Bankruptcy Court actions, the determination of Reorganization value under "fresh start" accounting, the ultimate settlement of Liabilities Subject to Compromise, further developments with respect to Disputed Claims and/or other events.

Exhibit E

Valuation Analysis

VALUATION OF THE REORGANIZED DEBTORS

At the Debtors' request, Moelis & Company ("***Moelis***")[1] performed a valuation analysis of the Reorganized Debtors. Based upon, and subject to the review and analysis described herein, including the assumptions, limitations and qualifications described herein, Moelis' view, as of January 11, 2010, was that the estimated going concern enterprise value of the Reorganized Debtors, as of an assumed Effective Date of April 22, 2011, would be in a range between $375 million and $425 million with a midpoint of $400 million. Moelis' views are necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Moelis as of the date of its analysis (January 11, 2010). It should be understood that, although subsequent developments may affect Moelis' views, Moelis does not have any obligation to update, revise or reaffirm its estimate.

Moelis' analysis is based, at the Debtors' direction, on a number of assumptions, including, among other assumptions, that (i) the Debtors will be reorganized in accordance with the Plan, which will be effective on or prior to April 22, 2011, (ii) the Reorganized Debtors will achieve the Projections (as defined in the Disclosure Statement) provided to Moelis by the Debtors for fiscal years 2011 to 2015; (iii) the Reorganized Debtors' capitalization and available cash will be as set forth in the Plan and this Disclosure Statement, including that the pro forma indebtedness of Reorganized Debtors as of the Effective Date will be a maximum of $311[2] million and (iv) the Reorganized Debtors will be able to obtain all future financings, on the terms and at the times, necessary to achieve the Projections. Moelis makes no representation as to the achievability or reasonableness of such assumptions. In addition, Moelis assumed that there will not be a material change in economic, market, financial and other conditions as of the assumed Effective Date.

Moelis assumed, at the Debtors' direction, that the Projections prepared by the Debtors' management were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Debtors' management as to the future financial and operating performance of the Reorganized Debtors. The future results of the Reorganized Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors and, consequently, are inherently difficult to project. *See* **Exhibit D** to the Disclosure Statement. The Reorganized Debtors' actual future results may differ materially (positively or negatively) from the Projections and, as a result, the actual enterprise value of the Reorganized Debtors may be significantly higher or lower than the estimated range provided herein. Among other things, failure to consummate the Plan in a timely manner may have a materially negative impact on the enterprise value of the Reorganized Debtors.

The estimated enterprise value in this section represents a hypothetical enterprise value of the Reorganized Debtors as the continuing operators of their business and assets, after giving effect to the Plan, based on certain valuation methodologies, as described below. The estimated enterprise value in this section does not purport to constitute an appraisal or necessarily reflect the actual market value that might be realized through a sale or liquidation of the Reorganized Debtors, its securities or its assets, which may be significantly higher or lower than the estimated enterprise value range herein. The actual value of an operating business such as the Reorganized Debtors' businesses is subject to uncertainties and contingencies that are difficult to predict and will fluctuate with changes in various factors affecting the financial condition and prospects of such a business.

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[1] Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Plan***").

[2] Excludes $18.8 million of issued and outstanding letters of credit.

In conducting its analysis, Moelis, among other things: (i) reviewed certain publicly available business and financial information relating to the Reorganized Debtors that Moelis deemed relevant; (ii) reviewed certain internal information relating to the business, earnings, cash flow, assets, liabilities and prospects of the Reorganized Debtors, including the Projections, furnished to us by the Debtors; (iii) conducted discussions with members of senior management and representatives of the Debtors concerning the matters described in clauses (i) and (ii) of this paragraph, as well as their views concerning the Debtors' business and prospects before and after giving effect to the Plan; (iv) reviewed publicly available financial and stock market data, including valuation multiples, for certain other companies in lines of business that Moelis deemed relevant; (v) reviewed a draft of the Plan, dated as of the Petition Date; and (vi) conducted such other financial studies and analyses and took into account such other information as we deemed appropriate. In connection with its review, Moelis did not assume any responsibility for independent verification of any of the information supplied to, discussed with, or reviewed by Moelis and, with the consent of the Debtors, relied on such information being complete and accurate in all material respects. In addition, at the direction of the Debtors, Moelis did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet or otherwise) of the Reorganized Debtors, nor was Moelis furnished with any such evaluation or appraisal. Moelis also assumed, with the Debtors' consent, that the final form of the Plan on the Effective Date will not differ in any respect material to its analysis from the draft that Moelis reviewed.

The estimated enterprise value in this section does not constitute a recommendation to any Holder of a Claim as to how such Person should vote or otherwise act with respect to the Plan. Moelis has not been asked to and does not express any view as to what the trading value of the Reorganized Debtors' securities would be when issued pursuant to the Plan or the prices at which they may trade in the future. The estimated enterprise value set forth herein does not constitute an opinion as to fairness from a financial point of view to any Person of the consideration to be received by such Person under the Plan or of the terms and provisions of the Plan.

Valuation Methodologies

In preparing its valuation, Moelis performed a variety of financial analyses and considered a variety of factors. The following is a brief summary of the material financial analyses performed by Moelis, which consisted of (i) a selected publicly traded companies analysis, (ii) a selected transactions analysis and (iii) a discounted cash flow analysis. This summary does not purport to be a complete description of the analyses performed and factors considered by Moelis. The preparation of a valuation analysis is a complex analytical process involving various judgmental determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to particular facts and circumstances, and such analyses and judgments are not readily susceptible to summary description.

A. ***Selected Publicly Traded Companies Analysis.*** The selected publicly traded companies valuation analysis is based on the enterprise values of selected publicly traded companies that have operating and financial characteristics comparable in certain respects to the Reorganized Debtors, for example, comparable lines of business, business risks, growth prospects, market presence and size and scale of operations. Under this methodology, certain financial multiples and ratios that measure financial performance and value are calculated for each selected company and then applied to the Reorganized Debtors' Projections to imply an enterprise value for the Reorganized Debtors. Moelis used, among other measures, enterprise value (defined as market value of equity plus book value of debt, book value of preferred stock and minority interests less cash) for each selected company as a multiple of such company's publicly available LTM EBITDA. Although the selected companies were used for comparison purposes, no selected company is either identical or directly comparable to the business of the Reorganized Debtors. Accordingly, Moelis' comparison of the selected companies to the business of the Reorganized Debtors and analysis of the results of such comparisons was not purely

mathematical, but instead necessarily involved complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the relative values of the selected companies and the Reorganized Debtors. The selection of appropriate companies for analysis is a matter of judgment and subject to limitations due to sample size and the public availability of meaningful market-based information. The lack of publicly traded pure-play direct marketing of apparel and life products businesses comparable to the Reorganized Debtors made the selection of companies for comparison to the Reorganized Debtors challenging.

B. ***Selected Transactions Analysis.*** The selected transactions analysis is based on the enterprise values of companies involved in public merger and acquisition transactions that have operating and financial characteristics comparable in certain respects to the Reorganized Debtors. Under this methodology, the enterprise value of each such company is determined by an analysis of the consideration paid and the debt assumed in the merger or acquisition transaction. The enterprise value is then divided by the target's last twelve month EBITDA prior to the transaction announcement date to calculate an EBITDA multiple. These multiples (to the extent available) would then be applied to the Reorganized Debtors' 2010E EBITDA to imply an enterprise value for the Reorganized Debtors. Moelis analyzed various merger and acquisition transactions that have occurred in the apparel and direct marketing sectors since 2001.

Unlike the selected publicly traded companies analysis, the enterprise valuation derived using this methodology reflects a "control" premium (*i.e.*, a premium paid to purchase a majority or controlling position in a company's assets). Thus, this methodology generally produces higher valuations than the selected publicly traded companies analysis. In addition, other factors not directly related to a company's business operations can affect a valuation in a transaction, including, among others factors: (i) a buyer may pay an additional premium for reasons that are not solely related to competitive bidding; (ii) the market environment is not identical for transactions occurring at different periods of time; (iii) the sale of a discrete asset or segment may warrant a discount or premium to the sale of an entire company depending on the specific operational circumstances of the seller and acquirer; and (iv) circumstances pertaining to the financial position of the company may have an impact on the resulting purchase price (*i.e.*, a company in financial distress may receive a lower price due to perceived weakness in its bargaining leverage).

C. ***Discounted Cash Flow Analysis.*** The discounted cash flow ("***DCF***") analysis is a forward-looking enterprise valuation methodology that estimates the value of an asset or business by calculating the present value of expected future cash flows to be generated by that asset or business. Moelis' DCF analysis used the Reorganized Debtors' Projections of its debt-free, after-tax cash flows for the period covered by the Projections and estimated a terminal value for the period after the Projection period. These cash flows and estimated terminal value were then discounted at a range of appropriate weighted average costs of capital, which are determined by reference to, among other things, the average cost of debt and equity of selected publicly traded companies. The discounted cash flow analysis involves complex considerations and judgments concerning appropriate terminal values and discount rates.

Valuation Considerations

As a result of the foregoing, the estimated enterprise value in this section is not necessarily indicative of actual value, which may be significantly higher or lower than the estimate herein. Accordingly, none of the Debtors, Moelis or any other person assumes responsibility for the accuracy of such estimated enterprise value. Depending on the actual financial results of the Debtors or changes in the financial markets, the enterprise value of the Reorganized Debtors as of the Effective Date may differ from the estimated enterprise value set forth herein as of an assumed Effective Date of April 22, 2011. In addition,

the market prices, to the extent there is a market, of Reorganized Debtor's securities will depend upon, among other things, prevailing interest rates, conditions in the financial markets, the investment decisions of prepetition creditors receiving such securities under the Plan (some of whom may prefer to liquidate their investment rather than hold it on a long-term basis), and other factors that generally influence the prices of securities.

Exhibit F

Liquidation Analysis

LIQUIDATION ANALYSIS OF THE DEBTORS

Under the "best interests" of creditors test set forth in section 1129(a)(7) of the Bankruptcy Code, the Bankruptcy Court may not confirm a plan of reorganization unless the plan provides each holder of a claim or interest who does not vote in favor of the plan with property of a value, as of the effective date of the plan, that is not less than the amount that such holder would receive or retain if the debtor was liquidated under Chapter 7 of the Bankruptcy Code. To demonstrate that the proposed Plan satisfies the "best interests" of creditors test, the Debtors have prepared the following hypothetical liquidation analysis (the "***Liquidation Analysis***"),[1] based upon certain assumptions discussed in the Disclosure Statement and in the accompanying notes.

The Liquidation Analysis estimates potential Cash distributions to Holders of Allowed Claims in a hypothetical Chapter 7 liquidation of all of the Debtors' assets. As such, asset values discussed in the Liquidation Analysis may differ materially from values referred to in the Plan and Disclosure Statement. The Debtors prepared the Liquidation Analysis with the assistance of their advisors.

The Debtors have prepared this Liquidation Analysis based on a hypothetical liquidation under Chapter 7 of the Bankruptcy Code. It is assumed, among other things, that the hypothetical liquidation under Chapter 7 would commence under the direction of a Court-appointed trustee and would continue for a period of time, during which time all of the Debtors' major assets would be sold or surrendered to the respective lien holders, and the cash proceeds, net of liquidation-related costs, would then be distributed to creditors in accordance with relevant law.

The determination of the costs of, and proceeds from, the hypothetical liquidation of the Debtors' assets in a Chapter 7 case is an uncertain process involving the extensive use of significant estimates and assumptions that, although considered reasonable by the Debtors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors, their management and their advisors. Inevitably, some assumptions in the Liquidation Analysis would not materialize in an actual Chapter 7 liquidation, and unanticipated events and circumstances could materially affect the ultimate results in an actual Chapter 7 liquidation.

THE LIQUIDATION ANALYSIS IS NOT INTENDED AND SHOULD NOT BE USED FOR ANY OTHER PURPOSE. THE LIQUIDATION ANALYSIS DOES NOT PURPORT TO BE A VALUATION OF THE DEBTORS' ASSETS AS A GOING CONCERN, AND THERE MAY BE A SIGNIFICANT DIFFERENCE BETWEEN THE LIQUIDATION ANALYSIS AND THE VALUES THAT MAY BE REALIZED IN AN ACTUAL LIQUIDATION. THIS ANALYSIS IS BASED ON APPRAISALS, WHERE AVAILABLE, AND THE DEBTORS' BUSINESS JUDGMENT, WHERE APPRAISALS ARE NOT AVAILABLE. THE RECOVERIES SHOWN DO NOT CONTEMPLATE A SALE OR SALES OF BUSINESS UNITS ON A GOING CONCERN BASIS. WHILE THE DEBTORS MAKE NO ASSURANCES, IT IS POSSIBLE THAT PROCEEDS RECEIVED FROM SUCH GOING CONCERN SALE(S) WOULD BE MORE THAN IN THE HYPOTHETICAL LIQUIDATION, THE COSTS ASSOCIATED WITH THE SALE(S) WOULD BE LESS, FEWER CLAIMS WOULD BE ASSERTED AGAINST THE BANKRUPTCY ESTATES AND/OR CERTAIN ORDINARY COURSE CLAIMS WOULD BE ASSUMED BY THE BUYER(S) OF SUCH BUSINESS(ES).

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[1] Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the *Joint Plan of Reorganization of Appleseed's Intermediate Holdings LLC and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code* (the "***Plan***").

The underlying financial information in the Liquidation Analysis was not compiled or examined by any independent accountants. Limited independent appraisals, where available, were referenced in preparing the Liquidation Analysis. NEITHER THE DEBTORS NOR THEIR ADVISORS MAKE ANY REPRESENTATION OR WARRANTY THAT THE ACTUAL RESULTS WOULD OR WOULD NOT APPROXIMATE THE ESTIMATES AND ASSUMPTIONS REPRESENTED IN THE LIQUIDATION ANALYSIS. ACTUAL RESULTS COULD VARY MATERIALLY.

This Liquidation Analysis assumes that a liquidation of the Debtors would occur over approximately six months. It is assumed that the Chapter 7 trustee would arrange for the Debtors (i) to operate for four months in order to focus efforts on selling substantially all remaining assets in an orderly manner and collect receivables and (ii) to terminate ongoing business operations and complete a wind down of the remaining assets over an additional two months.

The Liquidation Analysis should be read in conjunction with the following notes and assumptions:

1. *Dependence on assumptions.* The Liquidation Analysis depends on significant estimates and assumptions. The Liquidation Analysis is based on a number of estimates and assumptions that, although developed and considered reasonable by the management and advisors of the Debtors, are inherently subject to significant economic, business, regulatory and competitive uncertainties and contingencies beyond the control of the Debtors, their management and their advisors. Accordingly, there can be no assurance that the values reflected in this Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such a liquidation and actual results could vary materially and adversely from those contained herein.

2. *Additional unsecured claims.* The cessation of business in a liquidation is likely to trigger certain claims that otherwise would not exist under a Plan absent a liquidation. Examples of these kinds of claims include various potential employee claims (for such items as severance and potential WARN Act claims), tax liabilities, claims related to the rejection of unexpired leases and executory contracts and other potential Allowed Claims. These additional claims could be significant and some would be entitled to priority in payment over general unsecured claims. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity interests.

3. *Significant dependence on unaudited financial statements.* This Liquidation Analysis contains numerous estimates that are still under review and remains subject to further legal and accounting analysis. Proceeds available for recovery are based upon the Debtors' unaudited financial statements as of November 20, 2010, and the Debtors' Secured Claims are based on forecasted balances as of April 22, 2011, a proxy for the Effective Date.

4. *Preference or fraudulent transfers.* No recovery or related litigation costs have been attributed to any potential avoidance actions under the Bankruptcy Code, including potential preference or fraudulent transfer actions due to, among other issues, uncertainty and anticipated disputes about these matters.

5. *Chapter 7 liquidation costs and length of liquidation process.* The Debtors have assumed that a liquidation would occur over approximately four months in order to pursue orderly sales of substantially all the remaining assets and collect receivables, after which time a limited group of personnel would be retained for an additional two months to arrange distributions, and otherwise

administer and close the estates. Thus, this Liquidation Analysis assumes the liquidation would be completed within six months. In an actual liquidation the wind down process and time period(s) could vary significantly thereby impacting recoveries. For example, the potential for priority, contingent and other claims, litigation, rejection costs and the final determination of Allowed claims could substantially impact both the timing and amount of the distribution of the asset proceeds to the creditors. Accordingly, there can be no assurance that the values reflected in this Liquidation Analysis would be realized if the Debtors were, in fact, to undergo such a liquidation.

Pursuant to section 726 of the Bankruptcy Code, the allowed administrative expenses incurred by the Chapter 7 Trustee, including expenses affiliated with selling the Debtors' assets, will be entitled to payment in full prior to any distribution to Chapter 11 administrative and other priority Claims. The estimate used in the Liquidation Analysis for these expenses includes estimates for certain legal, accounting and other professionals, as well as an assumed 3% fee based upon liquidated assets payable to a Chapter 7 trustee.

6. *Claims Estimates.* Claims are estimated based upon forecasted book liabilities as of April 22, 2011.

7. *Distribution of Net Proceeds.* Priority and administrative claim amounts, professional fees, trustee fees and other such claims that may arise in a liquidation scenario would be paid in full from the liquidation proceeds before the balance of those proceeds will be made available to pay pre-bankruptcy priority, Secured and Unsecured Claims. Under the absolute priority rule, no junior creditor would receive any distribution until all senior creditors are paid in full, and no equity holder would receive any distribution until all creditors are paid in full. The assumed distributions to creditors as reflected in the Liquidation Analysis are estimated in accordance with the absolute priority rule.

8. *Conclusion:* The Debtors have determined, as summarized in the following analysis, that Confirmation of the Plan will provide creditors with a recovery that is not less than what they would otherwise receive in connection with a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code.

Appleseed's Intermediate Holdings LLC
Liquidation Analysis
Summary

(in $000s) - Balance As of 11/20/10 unless otherwise noted

	Notes	Balance	Estimated % Recovery			Estimated $ Recovery		
			Low	Mid	High	Low	Mid	High
Asset Proceeds:								
Cash	[A]	$ 1,236.2	0.0%	0.0%	0.0%	$ -	$ -	$ -
Accounts Receivable, net	[B]	22,252.6	80.0%	85.0%	90.0%	17,802.1	18,914.7	20,027.3
Inventory, net	[C]	160,918.5	50.0%	55.0%	60.0%	80,459.3	88,505.2	96,551.1
Prepaid Catalog Expenses	[D]	30,430.7	0.0%	0.0%	0.0%	-	-	-
Prepaid Expenses	[E]	11,524.6	5.0%	10.0%	15.0%	576.2	1,152.5	1,728.7
Deferred Tax Asset - current	[F]	(0.2)	0.0%	0.0%	0.0%	-	-	-
Other Current Assets	[G]	167.1	0.0%	0.0%	0.0%	-	-	-
Property & Equipment, net	[H]	71,020.4	10.0%	15.0%	20.0%	7,102.0	10,653.1	14,204.1
Goodwill	[I]	108,487.3	0.0%	0.0%	0.0%	-	-	-
Intangible Assets, net	[J]	70,381.2	0.0%	0.0%	0.0%	-	-	-
Deferred Financing Costs	[K]	8,324.3	0.0%	0.0%	0.0%	-	-	-
Deferred Tax Asset - LT	[L]	(0.1)	0.0%	0.0%	0.0%	-	-	-
Other Long Term Assets	[M]	651.5	0.0%	0.0%	0.0%	-	-	-
Total Asset Proceeds		$ 485,394.3	21.8%	24.6%	27.3%	$ 105,939.6	$ 119,225.4	$ 132,511.2
Wind-Down Costs:								
Operational & Overhead Costs	[N]					8,000.4	7,273.1	6,545.8
Professional Fees	[O]					7,232.5	6,575.0	5,917.5
Residual Costs and General Contingency	[P]					4,950.0	4,500.0	4,050.0
Sub-Total Wind-Down Costs						20,182.9	18,348.1	16,513.3
Trustee Fees	[Q]					3,178.2	3,576.8	3,975.3
Total Wind-Down Costs						23,361.1	21,924.8	20,488.6
Net Estimated Proceeds Available for Secured Debt Claims						$ 82,578.5	$ 97,300.5	$ 112,022.6
Secured Debt Claims:								
DIP "A" / DIP "B" Senior Term Loan	[R]	81,676.9	100.0%	100.0%	100.0%	81,676.9	81,676.9	81,676.9
Senior Debt (First Lien)	[S]	319,924.5	0.3%	4.9%	9.5%	901.6	15,623.7	30,345.7
Subordinated Debt (Second Lien)	[T]	290,862.7	0.0%	0.0%	0.0%	-	-	-
Total Secured Debt Claims		692,464.0	11.9%	14.1%	16.2%	82,578.5	97,300.5	112,022.6
Net Estimated Proceeds Available for Administrative Claims, Unsecured Claims & Equity Holders						$ -	$ -	$ -

Appleseed's Intermediate Holdings LLC
Liquidation Analysis
Footnotes

Notes:

[A] Cash: Includes cash on hand including certain restricted cash balances, as well as short-term investments in money market funds that accrue earnings daily and allow for withdrawal on demand. The Liquidation Analysis assumes that no recovery of cash assets would be realized due to the cash dominion position of the DIP Lender(s) under the Company's existing credit agreement.

[B] Accounts Receivable, net: Primarily consists of MC/Visa/Amex/Discover and private label credit card receivables. Accounts receivable reflect a 85% mid-point recovery of forecasted balances, based on the metrics used to calculate the Accounts Receivable component of the Debtors' borrowing base under the Company's existing credit agreement.

[C] Inventory, net: Inventory consists of merchandise held for sale. Inventory recovery values are based upon estimated net orderly liquidation values ("NOLV") prepared by a third party advisory and valuation services firm retained by the DIP Lender(s). The Company's consolidated projected NOLV recovery percentage of 63.6%, was reduced in this analysis to recognize the distressed condition of the inventory, including incomplete SKU's and inventory imbalances for coordinating

[D] Prepaid Catalog Expenses: The Company capitalizes direct costs relating to the production and distribution of its direct response advertising. These costs are charged to operations over the projected period of future benefits, ranging from one to six months. Prepaid Catalog Expense are assumed to yield no value in a liquidation.

[E] Prepaid Expenses: Consists of all other pre-payments including: insurance, inventory, utilities, rent and other miscellaneous items. Prepaid expenses reflect a 10% mid-point recovery in a liquidation.

[F] Deferred Tax Asset - current: Represents the current portion of the difference between the income tax expense/(benefit) at the federal and state statutory rates and the expense recorded by the Company. Deferred tax assets are assumed to yield no value in a liquidation.

[G] Other Current Assets: Represents the Debtors' estimated recovery values of miscellaneous assets. Other current assets are assumed to yield no value in a liquidation.

[H] Property & Equipment, net: Consists of owned land, buildings and improvements, equipment, software, furniture/fixtures and leasehold improvements, less accumulated depreciation and amortization. Property & Equipment assets reflect a 15% mid-point recovery value of forecasted balances in a liquidation.

[I] Goodwill: Primarily consists of the excess amount paid (over book value) for the Debtors' previous acquisitions. Goodwill assets are assumed to yield no value in a liquidation.

[J] Intangible Assets, net: Represents the Debtors' intellectual property (excluding goodwill) for items such as patents, trademarks, copyrights, business methodologies, customer database, and brand recognition. Intangible assets are assumed to yield no value in a liquidation.

[K] Deferred Financing Costs: Consists of debt issuance costs deferred and amortized over the term of the Company's pre-petition credit agreement(s). Deferred Financing Costs are assumed to yield no value in a liquidation.

[L] Deferred Tax Asset - LT: Represents the long term portion of the difference between the income tax expense/(benefit) at the federal and state statutory rates and the expense recorded by the Company. Deferred tax assets are assumed to yield no value in a liquidation.

[M] Other Long Term Assets: Estimated recoveries are based upon assessed collectability and monetization of miscellaneous assets. Other Long term assets are assumed to yield no value in a liquidation.

[N] Operational & Overhead Costs: Operating expenses assume an operational and non-operational wind down period of approximately sixmonths following the appointment or election of a Chapter 7 trustee. Operating expenses also include payroll and benefits for employees retained to assist in wind down operations, occupancy/rent for the Corporate office(s) located in Beverly, MA, utilities, and insurance.

[O] Professional Fees: Estimated professional fees represent the costs for financial advisors, attorneys and other professionals.

[P] Residual Costs and General Contingency: The Liquidation Analysis includes a general contingency of $750K per month for wind down period of approximately sixmonths.

[Q] Trustee Fees: Chapter 7 trustee fees are estimated at 3% of the liquidated proceeds.

[R] DIP "A" / DIP "B": This includes: (a) a revolving credit facility in the amount of approximately $140 million; (b) a $20 million sublimit for the issuance of letters of credit; and (c) a $20 million sublimit for swing line loans. After the filing, the pre-petition ABL was rolled-up into the DIP "A" portion of the DIP credit facility. As of April 22, 2011, approximately $47 million is projected to be outstanding under the under the DIP "A", and $35 million (or $40 million to the extent the DIP Facility Tranche B is fully drawn as of the Effective Date) in principal is projected to be outstanding under the DIB "B". Claim amounts are estimates only and are subject to change.

[S] Senior Debt (First Lien): The Senior Debt (First Lien) credit agreement consists of a $335 million term loan. As of April 22, 2011, approximately $320 million is projected to be outstanding under the First Lien Credit Agreement. Claim amounts are estimates only and are subject to change.

[T] Subordinated Debt (Second Lien): Pursuant to the Subordinated Debt (Second Lien) purchase agreement, secured notes were issued in the principal amount of $250 million. As of April 22, 2011, approximately $291 million is projected to be outstanding under the Second Lien Purchase Agreement. Claim amounts are estimates only and are subject to change.